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- MI 4.2: The MO’s planned investments and other operations are disbursed in accordance with internal policies and pre-agreed conditions set out in investment or advisory agreements.
- MI 4.3: The MO applied principles of results-based budgeting.
- Overall MI rating

MI 4.4: The MO’s external audits or other external reviews certify that internationally accepted standards are met at all levels, including with respect to internal audit.
MI 4.5: Issues or concerns raised by the MO’s internal control mechanisms (operational and financial risk management, internal audit, safeguards etc.) are adequately addressed.
MI 4.6: The MO’s policies and procedures effectively prevent, detect, investigate and sanction cases of fraud, corruption, conflict of interest and other financial irregularities.
MI 4.7: The MO prevents and responds to sexual exploitation and abuse (SEA) in operations.
MI 4.8: The MO prevents and responds to sexual harassment (SH).

KPI 5: The MO’s partnerships with clients and host governments support the alignment of operations to the strategic vision, including impact goals, financial sustainability and risk management.

MI 5.1: The MO’s strategies align with regional/country development priorities and intended national/regional results, taking into account market conditions and financial sustainability goals.

MI 5.2: The MO applies contextual/ situational analysis (shared where possible) to shape the designs and implementation of investments and other operations.

MI 5.3: The MO assesses the management and implementation capacity of clients for investments and other operations and strategies are implemented to address any weakness found.

MI 5.4: Detailed risk (strategic, political, reputational, operational) management strategies ensure the identification, mitigation, monitoring and reporting of risks.

MI 5.5: Intervention designs include the analysis of cross-cutting issues (as defined in KPI 2).

MI 5.6: Investment appraisal and monitoring identifies relevant country-level considerations, including promoting principles of sound banking and creating an enabling environment for investment.

MI 5.7: Institutional procedures (including systems for hiring staff, procuring project inputs, disbursing payment, logistical arrangements etc.) positively support speed of implementation and adaptability in line with local contexts and needs.

KPI 6: Working in coherent partnerships directed at leveraging and catalysing the use of resources

MI 6.1: The MO works with national partners/stakeholders to identify policy and development activities that create an enabling environment for investment.

MI 6.2: The MO’s coordination and partnerships with other development actors are based on comparative advantage to promote synergies and maximise finance for development.

MI 6.3: The MO uses financing and non-financing instruments to promote market creation and good practices.

MI 6.4: The MO engages with the private sector and financial institutions to mobilise financial resources or promote investment in underserved sectors and expand access to finance.

MI 6.5: The MO coordinates key business practices (planning, design, implementation, monitoring and reporting) with relevant peer organisations.

MI 6.6: The MO shares key information (analysis, budgeting, management, results etc.) in line with IATI requirements, when relevant and appropriate, based on Access to Information policy.

MI 6.7: The MO implements clear standards and procedures for accountability to beneficiaries.

MI 6.8: Participation with national and other partners in mutual assessments of progress in implementing agreed commitments

KPI 7: Strong and transparent results focus, explicitly geared towards function.

MI 7.1: Leadership ensures application of an organisation-wide RBM approach.

MI 7.2: Corporate strategies, including country strategies, based on a sound RBM focus and logic.

MI 7.3: Results targets set on a foundation of sound evidence base and logic.

MI 7.4: Monitoring systems generate high-quality, useful performance data in response to strategic priorities.

MI 7.5: Performance data transparently applied in planning and decision-making.

KPI 8: Evidence-based planning and programming applied.

MI 8.1: A corporate independent evaluation function exists.

MI 8.2: Consistent, independent evaluation of results (coverage).

MI 8.3: Systems applied to ensure the quality of evaluations.

MI 8.4: Processes in place that require and incentivise use and dissemination of the evidence base to design new investments and other operations.

MI 8.5: The MO proactively identifies, tracks and addresses poorly performing operations through monitoring of financial performance, development impact, ESG risk and Integrity Due Diligence.

MI 8.6: Clear accountability system ensures responses and follow-up to and use of evaluation recommendations.

MI 8.7: Uptake of lessons learned and best practices from evaluations.

KPI 9: The MO achieves impact and financial sustainability and results contribute to cross-cutting goals.

MI 9.1: Interventions assessed as having achieved their objectives, and results (analysing differential results across target groups, and changes in national development policies and programs or system reforms).

MI 9.2: The MO supports the achievement of project objectives in its work with clients.
MI 9.3: Interventions assessed as having helped improve environmental sustainability/tackle the effects of climate change.  

KPI 10: The MO’s investments and other operations demonstrate alignment with needs with respect to key principles of private sector development, including: (i) financial and non-financial additionality; (ii) alignment with country and sector strategies; and (iii) cross-cutting themes.  

MI 10.1: The MO’s investments demonstrate additionality (as defined per the MDB harmonised framework for additionality).  

MI 10.2: The MO’s investments and other operations demonstrate alignment with country and sector strategies.  

MI 10.3: The MO’s investments and other operations integrate cross-cutting themes.  

KPI 11: The MO’s investments and other operations demonstrate efficiency in terms of: (i) implementation of timelines for investments; (ii) mobilisation; and (iii) rationalisation of administrative expenses.  

MI 11.1: Interventions/activities assessed as resource/cost-efficient.  

MI 11.2: The MO rationalises administrative resources in line with organisational commitments.  

MI 11.3: The MO rationalises administrative resources in line with organisational commitments.  

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Annex A: Evidence and Ratings

Performance Area: Strategic Management

Clear strategic direction geared to key functions, intended results and integration of relevant cross-cutting priorities

<table>
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<th>KPI 1: Organisational architecture and financial framework enable mandate implementation and achievement of expected results.</th>
<th>KPI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>3.43</td>
</tr>
</tbody>
</table>

IFC has a long-term vision and organisational strategy grounded in the twin goals of the World Bank Group (WBG) and reinforced by IFC 3.0 and the 2016 Forward Look. Introduced in 2016, IFC 3.0 implements IFC’s strategic vision and comparative advantage around the complementary pillars of creating markets and mobilising resources through private sector solutions. The introduction of IFC 3.0 constituted a significant shift in IFC’s business model, including new processes to drive market creation through an “upstream approach” to address gaps that prevent sufficient flow of private capital to address development needs. Implementation of IFC 3.0 has had important implications for changes to existing business processes, budgetary allocations and IFC’s staffing and skills mix. Implementation of the strategic vision and is supported by a transparent planning and budgeting process and strong financial framework. IFC’s strong capital position is complemented by tools and platforms to support mobilisation of investment funds and market borrowings, with trust funds serving as a key means of delivering advisory services (AS) and blended finance.

<table>
<thead>
<tr>
<th>MI 1.1 The strategic vision and intended results based on a clear long-term vision and analysis of comparative advantage in the context of the 2030 Sustainable Development Agenda.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Highly Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>3.75</td>
</tr>
<tr>
<td>Element 1: The MO has a publicly communicated strategic vision (or equivalent) that contains a long-term vision.</td>
<td>4</td>
</tr>
<tr>
<td>Element 2: The MO’s strategic vision is based on a clear analysis and articulation of comparative advantage</td>
<td>4</td>
</tr>
<tr>
<td>Element 3: The MO’s strategic plan is operationalised through a policy and operating framework that identifies intended results.</td>
<td>3</td>
</tr>
<tr>
<td>Element 4: The MO’s strategic vision and policy and operating frameworks are reviewed regularly to ensure continued relevance and attention to risks.</td>
<td>4</td>
</tr>
</tbody>
</table>

MI 1.1 Analysis

Source documents
Element 1: IFC's long-term strategic vision is reflected in the World Bank Group’s (WBG) Forward Look (2016).

Medium- and long-term strategic priorities were also defined in the 2018 WBG Capital Increase Package. The IFC 3.0 Strategy builds upon the Forward look to identify a medium-term institutional vision around market creation and mobilising resources through private sector solutions. Information around these initiatives is available publicly.

IFC’s core strategy includes contributing to the World Bank Group (WBG)’s twin goals of eradicating poverty and promoting shared prosperity. The “Forward Look” established a roadmap to achieve these goals and to contribute to the 2030 agenda. The Forward Look and the 2018 Capital Increase Package (CIP), laid out the objectives of serving all clients, leading on global issues, creating markets, and improving the business model. (Update: The Forward Look and IBRD-IFC Capital Package Implementation, 2019).

Some of the most relevant components of these objectives for IFC included:

- **Serving all clients**: Introduction of a new additionality framework, mobilizing investment in International Development Association (IDA) and Fragile and Conflict-Affected Situation (FCS) countries.
- **Leading on global issues**: For the WBG to take a leadership role on global issues, such as fragility, conflict and violence (FCV), crisis management, climate change (mitigation and adaptation), gender, knowledge, convening and regional integration. This included a new set of climate targets for 2021-2025.
- **Creating markets**: Introduction of the “Cascade” approach, focusing on World Bank (WB) upstream policy operations and IFC market creation projects, the setting up of new IFC “upstream” units and innovative investment platforms and improved diagnostic tools.
- **Improving the business model**: Implementation of a major workforce planning exercise to rebalance the grade structure and generate financial efficiencies.

In 2016, IFC developed the IFC 3.0 strategy, which built upon previous strategies and aligned with the objectives of the Forward Look, with two main strategic pillars addressing market creation and mobilising resources through private sector solutions. IFC 3.0 is an “ambitious strategy to develop new and stronger markets for private sector solutions, particularly in IDA countries and Fragile and Conflict-affected Situations (FCS), [...] requiring a fundamental re-shaping of IFC’s business model.” This includes a new focus on developing markets through upstream and advisory engagements and deeper collaboration across the World Bank Group.

In the 2023 MOPAN survey, most stakeholders (90%) agreed that IFC has a clear strategic vision to support economic development through the private sector (see chart below). In contrast, for IFC’s internal staff pulse survey, a minority of IFC staff responded favourably to “I understand the direction in which Senior Leadership is leading the Institution.”
Element 2: The WBG, including IFC, identifies a clear comparative advantage in its strategic documents. There has been a clear and consistent understanding of the WBG’s comparative advantage over the assessment period.

The WBG strategy lays out a clear comparative advantage for the institution. The Forward Look build upon this vision and cites the value of the WBG in operating in the nexus of global and local issues and in engaging with both the public and private sector. Building upon the Strategy, a WBG-wide approach was launched in FY17 “to maximize finance for development”, called the “Cascade Approach.” WBG “staff, working with our clients, will first seek private sector solutions to address development challenges — where such solutions are advisable and can be effective — and reserve public financing for projects only when other options are suboptimal”. (IFC Annual Report FY17)

This comparative advantage has been reflected in medium-term strategic planning. Every year, IFC prepares a strategy paper (Strategy and Business Outlook, or SBO) which lays a medium-term vision with a three-year horizon. IFC’s SBO at the beginning of the review period (SBO FY17–19) referred specifically to the WBG’s comparative advantage, “its unique ability to help the world address complex problems at scale. This ability is based on the WBG’s country depth and global breadth, public and private sector instruments and relationships, multisector knowledge, and the ability to mobilize and leverage finance at scale.”

Subsequent SBOs have clearly built upon this articulation of the WBG’s comparative advantage. IFC’s FY21-23 SBO focuses on implementing the commitments under the Forward Look, the Capital Increase and IFC 3.0, with a particular focus on creating markets and mobilising finance. These commitments have been operationalised through advisory interventions to improve the legal and regulatory environment (together with the WB), upstream project development, and de-risking of projects.

Since 2020, the WBG, including IFC, adjusted quickly to respond to COVID-19, while also maintaining a focus on the institution’s long-term goals. IEG found that “The Bank Group’s comparative advantages during a crisis predominantly lie in its ability to advance global knowledge and translate it into financial and advisory support to governments and firms, and in its global footprint. IEG corporate evaluations (2010–22) have provided extensive evidence that these are areas where the Bank Group has comparative advantages over other multilateral and regional development partners in responding to an economic crisis.” (IEG COVID Evaluation 2023).

Stakeholders broadly agree in the 2023 MOPAN survey that IFC’s strategies and policies demonstrate a good understanding of its comparative advantage (90% favourable). By contrast, stakeholders were less certain about whether IFC’s COVID response was clear and based on IFC’s comparative advantage (48% favourable), with 47% indicating that they didn’t know/no opinion (See figures below).
Element 3: The 2016 Forward Look identifies operational arrangements and processes to implement the WBG’s Strategic Direction. The Strategic Direction is further reflected in the IFC Capital Increase Package (CIP) commitments. The CIP Commitments which are reflected in IFC’s Corporate Scorecard and SBOs.

The Forward Look (outlining the WBG’s broad strategic direction), IFC 3.0 (identifying an institutional strategy) and the CIP (setting specific, often quantified commitments) have all served as a means to outline operational priorities that work towards the overall strategic vision. These, in turn, have affected IFC’s operational arrangements. The strategic vision includes the 2018 CIP commitments, which identify institutional targets around crisis management and FCV (fragility, conflict and violence), climate change, gender, knowledge and convening, and regional integration.

Strategic and operational priorities are reflected in the WBG and IFC “Corporate Scorecards”. IFC contributes to the WBG Scorecard and has its own standalone Corporate Scorecard. The scorecard reflects strategic priorities identified through the forward look, IFC 3.0 and the CIP commitments. Scorecard targets primarily reflect input measures (e.g., investment volumes), which capture an operational steer toward strategic priorities. There are also some (but few) outcome targets (e.g., development results for investments and advisory services and – to a lesser extent – portfolio AIMM scores). Creating markets has become a clear priority and feeds into AIMM (Anticipated Impact, Measuring and Monitoring) scores, including both ex-ante and portfolio scores, which are closely tracked and inform decision-making.

IFC 3.0 is considered a concrete response to the challenge of converting “Billions to Trillions” of development finance. IFC 3.0 includes a “toolkit” that reflects the operational tools and processes implemented to deliver on market creation. These include new analytical tools and approaches, including, among others:

- The Anticipated Impact Measurement and Monitoring (AIMM) system “to better define, measure and articulate the development impact of each project and to focus scorecards and incentives on the delivery of economic impact”;
- Country Private Sector Diagnostics (CPSDs) “to help pinpoint where [IFC] can work together with governments, the World Bank, MIGA, and development partners to catalyse market creation by establishing the necessary regulatory and policy frameworks, promoting private sector competition, encouraging the spread of best practices and new technologies and building local capacity and skills”;
- The Creating Markets Advisory Window, a “funding facility created to enhance upstream project preparation and to scale up advisory engagements that address complex challenges to creating markets in eligible FCS and IDA countries”;
- The IDA18 Private Sector Window, “a USD 2.5 billion risk-mitigation platform that supports scale-up of IFC-MIGA engagements in IDA-only and FCS markets and offsets risks and other impediments to investments”; and
- IFC Country Strategies, which “outline IFC’s approach and work program within a country” and provide insights “into the opportunities and risks within the context of the political and economic realities on the ground.” (IFC Strategy and Business Outlook, FY21-23 (2020))

In implementing IFC 3.0, these tools were complemented by the creation of upstream units focused on preparing project pipelines and creating markets in IDA-eligible and fragile and conflict-affected countries".
Together with IFC’s upstream work, the IDA18 PSW and CMAW support IFC’s “strategy of expanding private investment and creating markets in eligible countries” help de-risk projects and overcome the challenge of limited access to local-currency loans to “enable private sector investment in IDA countries” and to create “a stronger pipeline of transactions for ourselves and others to finance”.

For the 2023 MOPAN survey, stakeholders broadly agreed that IFC organizes and runs itself in a way that fully supports its vision (84% favourable). (see below)

**Element 4: IFC’s strategic vision and policy and operating frameworks are reviewed regularly to ensure continued relevance and attention to risks.** IFC implements several strategic touchpoints supported by regular reporting to enable strategic adjustments. These include: (i) reporting on CIP implementation through the Corporate Scorecard; (ii) The World Bank Group Spring and Annual Meetings; and (iii) the SBO and Budget process.

IFC committed that “progress towards policy targets will be monitored and reported on a regular basis” (WBG Capital Increase Package, 2018), delivering annual updates between 2019 and 2023. However, only the 2019 Update on IBRD-IFC Capital Package Implementation had been released publicly at the time of writing. (WBG-IEG, WBG Capital Increase Package in the Context of the Forward Look: An Independent Validation, 2023). As noted above, Corporate Scorecards are in place to monitor IFC’s progress toward strategic outcomes, including CIP commitments as well as strategic targets around: (i) increasing business volume and mobilisation; (ii) development and financial results; and (iii) efficiency and client satisfaction.

The WBG Spring and Annual Meetings include a meeting of the Board of Governors, comprising high-level representatives such as finance ministers, central bank governors and ministers of development from each of the WBG’s member countries. At the plenary session, the Board of Governors takes stock of the global economy and takes decisions on major policy directions. The Development Committee, a ministerial-level forum of 25 members representing the full membership of the WBG meets to take stock of the WBG’s progress in delivering on its strategic priorities and builds consensus around critical development issues.

At the recent 2022 Annual Meetings, shareholders called upon the WBG to develop a roadmap of engagements with the Board of Executive Directors to respond to emerging challenges for poverty reduction, shared prosperity and the delivery of Global Public Goods. While it is anticipated that the “Twin Goals” will be retained, the Evolution Roadmap will entail engagement between WBG management and shareholders to review the operating and financial model of the WBG to respond to emphasise sustainability and resilience and strengthen the role of the WBG in delivering Global Public Goods.

For IFC specifically, SBOs, produced every three years with annual updates, involve regular reviews of the strategic direction and facilitate course corrections as needed. IFC’s SBOs are strongly linked to the budget process such that IFC’s Board first discusses the strategic priorities and subsequently and subsequently decides the budget, reflecting the strategic discussions.
IFC’s Budget Papers consistently identify the “Strategic Resource Shifts” needed to implement IFC’s strategy, illustrated in Table 1 below:

Table 1. IFC Strategic Resource Shifts

<table>
<thead>
<tr>
<th>Year</th>
<th>Strategic Resource Shifts illustrated in IFC Budgets</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>Resources shifted toward intensified portfolio management (in part as a response to weak development results), disruptive technologies, platform-development, fragile situations, climate change, mobilisation, capital market development and security and IT.</td>
</tr>
<tr>
<td>FY18</td>
<td>Additional resources were allocated toward better portfolio and risk management, as well as shifts to develop co-investment vehicles (Asset Management Company – AMC and Managed Co-Lending Portfolio Program – MCPP) and support market creation in the most difficult and fragile markets.</td>
</tr>
<tr>
<td>FY19</td>
<td>Intensified focus towards more difficult markets (IDA, FCS, Africa, South Asia, MENA), as well as infrastructure and agribusiness</td>
</tr>
<tr>
<td>FY20</td>
<td>Significant resource shifts towards IFC’s upstream work (from USD 29 to USD 107 million, with staffing increasing from 71 full-time equivalents to 340 by FY21) and from global to regional industry departments were highlighted, including the appointment of 15 new Directors in furthering the shift to the regions.</td>
</tr>
<tr>
<td>FY21</td>
<td>Further shifts of resources to upstream were identified, alongside the creation of an Environmental and Social Policy and Risk Department.</td>
</tr>
<tr>
<td>FY22</td>
<td>Resource shifts identified toward IDA-FCS countries and climate.</td>
</tr>
<tr>
<td>FY23</td>
<td>Resources shifted toward continuing relief and recovery efforts, the promotion of healthcare (following the pandemic and the war in Ukraine) and a sustained focus on fragility and forced displacement. This was accompanied by additional support to the climate response, energy transition and digital transformation, focusing on IDA-FCS markets.</td>
</tr>
</tbody>
</table>

IFC’s ability to implement strategic and agile decision-making was highlighted by the Independent Evaluation Group (IEG) in the context of the Evaluation of the WBG’s Early Support to Addressing the COVID-19 Economic Response (2023, in brief IEG COVID Evaluation). The evaluation found that the WBG “Delivered the largest crisis response in its history thanks to strategic and agile decision-making and learning from past crises” and considered it “mostly relevant overall” and “highly relevant in low-income countries” (LICs). The WBG rapidly created a USD 14 billion “Fast-Track Facility”, including USD 8 billion from IFC; with (1) a USD 2 billion real sector crisis response envelope to help existing clients in difficulty because of COVID; (2) a USD 6 billion financial institution (FI) envelope, to support, with USD 2 billion each (a) trade finance; (b) working capital solutions; and (c) trade liquidity and critical commodities. This was later complemented by a USD 2 billion Global Health Platform, complemented by an additional USD 2 billion in mobilisation.

MI 1.1 Evidence confidence

MI 1.2: The MO’s organisational architecture is congruent with a clear strategic vision and associated operating framework.

| MI 1.1 Evidence confidence | High Confidence |

| MI 1.2 Analysis | Source document |

<table>
<thead>
<tr>
<th>MI 1.2: The MO’s organisational architecture is congruent with a clear strategic vision and associated operating framework.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Satisfactory</td>
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<td>Overall MI score</td>
<td>3.40</td>
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<tr>
<td>Element 1: The MO’s organisational architecture is congruent with the strategic vision.</td>
<td>4</td>
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<tr>
<td>Element 2: The MO’s operating framework supports implementation of the strategic vision.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: The MO’s operating framework is reviewed regularly to ensure its continued relevance.</td>
<td>4</td>
</tr>
<tr>
<td>Element 4: The MO’s operating framework allows for strong co-operation across the organisation.</td>
<td>3</td>
</tr>
<tr>
<td>Element 5: The MO’s operating framework clearly delineates responsibilities for results.</td>
<td>3</td>
</tr>
</tbody>
</table>
Element 1: The main organizational structure changes over the review period have been clearly aligned with IFC’s strategic priorities and focused in particular on creating markets and upstream pipeline development.

A recent organizational structure is available online to the level of director, which reflects IFC’s operational priorities. Under the IFC Managing Director there are 11 Vice Presidents (Legal & Compliance Risk; Risk & Finance; Economics & Private Sector Development; Corporate Support; Treasury & Mobilisation; Cross-cutting Solutions; Europe and Latin America; Africa; Middle East, Central Asia, Turkey, Afghanistan, and Pakistan; Asia Pacific; Industries).

Changes in the organisational structure over the assessment period have clearly reflected IFC’s strategic vision. Major changes included:

- The creation of a Vice-Presidency for Economics and Private Sector Development (PSD) in FY17, accompanied by the creation of the Creating Markets Advisory Window (CMAW) to fund upstream and advisory work; and
- Upstream units were created in FY19 and became functional in FY20 to support the market creation aspects of IFC’s work, including the identification market gaps (the Economics Vice Presidency) and identifying opportunities to close them (the upstream work).

In FY23, upstream units were merged with advisory services to further support the implementation of IFC’s strategic vision.

IFC’s capital increase commitments around gender and climate are similarly reflected in the organisational structure. IFC has had a climate budget department since 2010 and subsequently added a network of climate anchors in industry departments to increase the focus on this business.

More information regarding the alignment of human resources to IFC’s strategic themes of gender, climate, FCS and creating markets is provided in MI 3.2.

Element 2: IFC’s operating framework, including its mix of instruments and corporate scorecard, are aligned to its strategic vision. Over the course of the assessment period, changes have been introduced to further support the implementation of IFC 3.0. Some challenges remain, however, in the operationalisation of some initiatives, including the Cascade.

IFC’s Instruments:

Broadly, IFC’s instruments can be split into investments (IS), upstream and advisory services (AS). Under investments, one can distinguish between IFC’s own account investments, which include long-term finance (LTF) and short-term finance (STF). In addition, there is blended finance (BF) – providing concessional support and core mobilisation, where IFC mobilizes funds from third parties. Through upstream and advisory services, IFC provides advice and engages in early-stage project development activities that are critical enablers of opening up new markets and help in the creation of bankable projects in line with IFC 3.0.

Commitments over the assessment period:

For IFC’s own account LTF investments over the review period (FY17-22), which had average commitments of USD 11.4 billion, the most important were loans (83%), followed by equity (11%), with relatively smaller shares for guarantees (5%) and risk management products (1%). LTF commitments started at USD 11.9 billion in FY17, dipped in FY19 (USD 8.9 billion), but have since increased to USD 12.6 billion on FY22. By comparison, IFC’s STF has grown steadily over the assessment period from USD 3.2 billion in FY17 to USD 9.7 billion in FY22, driven partly by the response to COVID-19 and increased emphasis on challenging markets (Table 2).

IFC’s STF commitments were USD 6.49 billion in FY17 and increased significantly in FY21 and FY22 (USD 8.2 and USD 9.7 billion) following the COVID pandemic, since they were a key component of IFC’s crisis response,
the Fast Track Covid Facility (FCTF). A lot of IFC’s STF is being processed through special initiatives (USD 3 billion on average during the review period), among them in particular the Global Structure Trade Finance Program (GTFP).

Table 2. IFC Commitments FY17-22

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY17-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitments</td>
<td>25,807</td>
<td>30,699</td>
<td>24,890</td>
<td>28,430</td>
<td>31,500</td>
<td>32,825</td>
<td>174,151</td>
</tr>
<tr>
<td>Long-Term Investment Commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For IFC’s Own Account</td>
<td>11,854</td>
<td>11,629</td>
<td>8,920</td>
<td>11,135</td>
<td>12,474</td>
<td>12,569</td>
<td>68,581</td>
</tr>
<tr>
<td>Number of projects</td>
<td>342</td>
<td>366</td>
<td>269</td>
<td>282</td>
<td>313</td>
<td>296</td>
<td>1,868</td>
</tr>
<tr>
<td>Number of countries</td>
<td>75</td>
<td>74</td>
<td>65</td>
<td>67</td>
<td>71</td>
<td>68</td>
<td>420</td>
</tr>
<tr>
<td>Mobilisation</td>
<td>7,461</td>
<td>11,671</td>
<td>10,206</td>
<td>10,826</td>
<td>10,831</td>
<td>10,596</td>
<td>61,591</td>
</tr>
<tr>
<td>Syndicated Loans</td>
<td>3,475</td>
<td>7,745</td>
<td>5,824</td>
<td>4,989</td>
<td>3,647</td>
<td>3,475</td>
<td>29,155</td>
</tr>
<tr>
<td>IFC initiatives &amp; other</td>
<td>2,207</td>
<td>2,619</td>
<td>2,857</td>
<td>3,370</td>
<td>3,693</td>
<td>3,311</td>
<td>18,057</td>
</tr>
<tr>
<td>Asset Management Company (AMC) Funds</td>
<td>531</td>
<td>263</td>
<td>388</td>
<td>50</td>
<td>244</td>
<td>248</td>
<td>1,724</td>
</tr>
<tr>
<td>Advisory Mobilisation</td>
<td>1,248</td>
<td>1,044</td>
<td>1,137</td>
<td>2,417</td>
<td>3,246</td>
<td>3,562</td>
<td>12,654</td>
</tr>
<tr>
<td>Total Long Term Investment Commitments</td>
<td>19,315</td>
<td>23,301</td>
<td>19,126</td>
<td>21,961</td>
<td>23,305</td>
<td>23,166</td>
<td>130,174</td>
</tr>
<tr>
<td>Short-term Commitments</td>
<td>3,185</td>
<td>3,435</td>
<td>3,256</td>
<td>6,473</td>
<td>8,195</td>
<td>9,659</td>
<td>34,203</td>
</tr>
</tbody>
</table>

Source: IFC Annual Reports FY17-22

Respondents to the MOPAN survey indicated that IFC’s project pipeline and approved projects reflect its strategic commitment to support private sector development. 84% of respondents responded positively, while only 9% of respondents responded negatively (see below).

Advisory Services:

IFC has allocated almost USD 1.6 billion to delivering AS over the assessment period. Over time, a decreasing share has been going to IDA countries (Table 3), partially due to graduation of several countries (e.g., Vietnam, Sri Lanka, Mongolia) from IDA and scaling up of strategically important initiatives in the areas of climate, digitalization, and gender in middle income countries. The largest share of AS spending has consistently gone to Africa (39% in FY22) or before to Sub-Saharan Africa (32%-34% in FY17-FY21), followed by East Asia and Pacific (16-19% from FY17-20, but declining to 12% in FY22).

IFC primarily reports on AS spending by industry group rather than theme. The largest allocation has been to the financial institutions group, which also accounts for the largest share in IFC’s investment business
volume (financial markets accounted for 38% of portfolio exposure and 49% of LTF commitments in FY22). Creating Markets Advisory has also had a large share of expenditures (24% in FY21 and 21% in FY22).

IFC funds a significant portion of AS through designations from its earnings in addition to raising donor funds. IFC’s funding has in particular gone to the Creating Markets Advisory Window (CMAW, USD 337 million), followed by IFC’s Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS, USD 241 million) with smaller amounts for InfraVentures, a global infrastructure project development fund that seeks to develop a pipeline of bankable projects in developing countries (USD 26 million) – see Table 3 and Table 4.

Table 3. IFC Advisory Services Expenditures (FY17-22)

<table>
<thead>
<tr>
<th>$ million</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY17-22 Average</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditures</td>
<td>246</td>
<td>273</td>
<td>295</td>
<td>274</td>
<td>244</td>
<td>251</td>
<td>264</td>
<td>1583</td>
</tr>
<tr>
<td>o/w: IDA countries</td>
<td>63%</td>
<td>57%</td>
<td>59%</td>
<td>57%</td>
<td>54%</td>
<td>51%</td>
<td>57%</td>
<td></td>
</tr>
</tbody>
</table>

Note: IDA countries exclude global projects
Source: IFC Annual Reports FY17-FY22

Table 4. IFC Budget Allocations for Advisory Services (FY17-22)

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY17-22 (avg)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMAW</td>
<td>50</td>
<td>70</td>
<td>70</td>
<td>90</td>
<td>80</td>
<td>60</td>
<td>360</td>
<td></td>
</tr>
<tr>
<td>FMTAAS</td>
<td>63</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>60</td>
<td>50</td>
<td>51.3</td>
<td>308</td>
</tr>
<tr>
<td>Philippine Green Building Initiative (PGBI)</td>
<td>1.6</td>
<td>2.1</td>
<td>2.1</td>
<td>2.5</td>
<td>4.3</td>
<td>2.8</td>
<td>2.6</td>
<td>15.4</td>
</tr>
<tr>
<td>SME ventures</td>
<td>2</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>4</td>
<td>3.7</td>
<td>2.3</td>
<td>13.6</td>
</tr>
</tbody>
</table>

Source: IFC Annual Reports, FY17-22

As is clear from the above analysis, a sizable portion of IFC’s investments and AS is funded by partners. MOPAN’s Partner Survey indicates that most stakeholders (94%) agree that “IFC manages funds raised from donors and other partners in an efficient and transparent way.” (see below)

Corporate Scorecard:
IFC has used a corporate scorecard since the 1990s as part of annual strategy discussions with its Executive Board. IFC’s scorecard prior to FY19 measured IFC performance in terms of development impact, financial sustainability, client delivery, managing talent and the IFC Development Goals. Following the Capital Increase Package in FY18, corporate scorecard metrics were reassessed to align with IFC 3.0, with the intention of “translating IFC 3.0 into action.” (IFC What Gets Measured Gets Done - Using a Corporate
Scorecard to Drive Greater Investment Impact, 2018). The new scorecard was developed based on four principles:

- Translating the corporate vision into operational goals;
- Planning and target setting;
- Linking the vision to individual performance; and
- Absorbing feedback, learning and adjusting the strategy.

The FY23 Corporate Scorecards were formulated to measure IFC’s progress in program delivery and key strategic priority areas vis-à-vis IFC’s 2030 capital commitments. KPIs were introduced for all VPUs aside from traditional investment targets, with VPU awards linked to overall scorecard performance alongside individual VPU performance on specific KPIs. IFC Corporate Targets are set by the IFC Management on an annual basis based on program outlook and strategic priorities anchored in IFC’s CIP commitments. Specific metrics are added, adjusted, or removed as priority areas emerge or goals are completed.

Changing of scorecard indicators is a balance between long-term tracking and transparency versus fitness for purpose. Stakeholders confirmed that an ongoing dialogue takes place between management and the Board to adjust the scorecard as needed. In addition to the SBO, IFC presents results and changes to corporate indicators and targets through the quarterly IFC Operations Report, which is discussed with the Board. Stakeholders provided a mixed perspective on changes to IFC’s scorecard over time. Whereas some noted that changes in scorecard indicators are always implemented through a discussion with the Board in the context of the SBO, other stakeholders felt that there was not adequate consultation around some recent changes.

Mobilisation:

Mobilisation is a key component of IFC’s strategy. IFC focuses in particular on “core mobilisation”, defined as “Third-party finance deployed as a result of an active and direct effort on the part of the International Finance Corporation. Such activity would usually be evidenced through the payment of a fee. Core mobilisation includes third-party funding from both private and public sources (including other multilateral development banks, development finance institutions, and sovereign wealth funds) on commercial terms that are raised due to active and direct efforts by the International Finance Corporation.” (IEG Evaluation of WBG Approaches to Mobilize Private Capital for Development, 2021, in brief PCM-Evaluation).

This definition is different from Private Direct Mobilisation (PDM) “financing from a private entity on commercial terms due to the active and direct involvement of a MDB leading to commitment. Evidence of active and direct involvement include mandate letters, fees linked to financial commitment or other validated or auditable evidence of a MDB’s active and direct role leading to commitment of other private financiers. PDM does not include sponsor financing.” (MDB Task Force Reference Guide 2018).

IFC’s long-term goal is to increase core mobilisation to USD 23 billion by FY30 (or 92% of IFC’s LTF commitments, which by then are expected to grow to USD 25 billion). Average annual core mobilisation has averaged USD 10.3 billion over the review period, or 90%. After an initial strong increase from FY17 (USD 7.5B) to FY18 (USD 11.7B), mobilisation levelled-off in subsequent years, including during the pandemic, with USD 10.2 - USD 10.8 billion p.a. in FY19-FY22. However, IFC did reach the 2020 G20 target of USD 10.1 billion and the corporate target ratio of 80%. It is also important to point out that IFC’s core mobilisation – both in terms of volume and in percent of its own commitments – increased well above historical values from 2007-2017 (IEG PCM Evaluation, 2021) and development outcome success rates were substantially higher with PCM than without. Finally, 25% of PCM-projects had demonstration effects. “Clients and investors perceive IFC’s PCM debt instruments and platforms— especially B loan syndications and the Managed Co-lending Portfolio Program (MCPP)—as highly relevant.” (ibid.)

Most of IFC’s core mobilisation over the review period came from syndications (47%) and IFC initiatives (29%), with relatively small share from IFC’s Asset Management Company (AMC – 3%). There was also a significant amount of advisory mobilisation, representing 21% of core mobilisation for the review period (on average USD 2.1 billion p.a.), almost exclusively from Public-Private Partnerships (PPPs – 97%), where IFC
advises to prepare a PPP (Table 1.2). IEG found that “IFC PPP advisory services are relevant and made a significant contribution to IFC’s core mobilisation, totalling more than USD 1 billion in recent years.

Blended Finance:

Blended finance helps IFC to reduce risks in the most difficult markets, in particular IDA and FCS countries. The most important tool has been the IDA-Private Sector Window (PSW). IDA Reporting indicates that IFC used about USD 2 billion of the available funds from FY18-22, supporting project costs over USD 10 billion; however, it is more difficult to determine IFC usage in the context of joint IFC-MIGA projects. The use of the PSW started relatively slowly in FY18 while the necessary processes and pipeline were developed. Use of the PSW then increased quickly leading up to FY20, dipping briefly during the pandemic in FY21 but subsequently recovering (Table 5). IFC’s use of the PSW has primarily been through the Blended Finance Facility (BFF, over USD 1.3 billion, excluding joint projects with MIGA) and the Local Currency Facility (LCF, over USD 650 million).

Blended finance focuses on agribusiness, climate, gender and SME, human capital, low-income and fragile economies and refugees (IFC Blended Finance Website), demonstrating alignment with IFC’s strategic priorities. According to information provided by IFC, the biggest use other than the IDA-PSW was for climate (about USD 800 million cumulatively over the review period), followed by SME finance (about USD 300 million) with very little going to support gender.

Stakeholder feedback from the MOPAN survey indicates that 79% agreed at least somewhat with the question “IFC uses concessional funds to optimise development impact in line with good practices for blended concessional finance.” However, 14% of respondents indicated that they didn’t know or had no opinion. (see chart below)

Q1[08] [In country], IFC uses concessional funds to optimise development impact in line with good practices for blended concessional finance.

![Chart showing stakeholder feedback]

Table 5. Use of the IDA PSW (FY18-22) - Amount in $ million

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>Average FY18-22</th>
<th>Total FY18-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSW approvals, IFC</td>
<td>107</td>
<td>301</td>
<td>715</td>
<td>496</td>
<td>992</td>
<td>709</td>
<td>553</td>
<td>3320</td>
</tr>
<tr>
<td>Total Project Cost, IFC</td>
<td>158</td>
<td>2,308</td>
<td>6,565</td>
<td>2,980</td>
<td>4,445</td>
<td>918</td>
<td>2,896</td>
<td>17,374</td>
</tr>
</tbody>
</table>

Source: Data provided by IFC. Any deviations of these values from those reported in publicly available IDA-PSW reports are attributable to cancellations (excluded from publicly available IDA-PSW reports) and the timing of updates that could lead to temporary differences.

Adjustments to the Operating framework over the assessment period:

Over the review period, IFC has clearly adjusted its operating framework in support of its strategic vision with a particular focus on creating markets and bringing decision-making closer to country needs.

Examples include:

- Introduction of the Cascade Approach in FY17. As noted above, the Cascade first seeks to mobilize
commercial finance, enabled by upstream reforms where necessary. Where risks remain high, the priority is to apply guarantees and risk-sharing instruments. Blended finance is applied “to mitigate specific investment risks and help rebalance risk-reward profiles of pioneering investments that are unable to proceed on strictly commercial terms” (How Blended Finance Works | International Finance Corporation (IFC)).

- A greater focus on diagnostic tools such as the Country Private Sector Diagnostics (CPSDs), introduced in FY18. The number of CPSDs completed has grown from 2 in FY18 to 17 in FY22, with an overall total of 40 delivered over the review period. CPSDs are jointly conducted with the World Bank and feed into Systematic Country Diagnostics (SCDs), Country Partnership Frameworks (CPFs), WB Investment Project Financing (IPFs) and IFC Country Strategies. CPDD “deep dives” contribute to IFC upstream advisory and pipeline activities.
- Introduction of new funding mechanisms (e.g., CMAW, IDA-PSW) to support market creation in the most difficult countries.
- Establishment and growth of new upstream units to support pipeline development in challenging markets, which now account for 297 staff and have led to the development of a 5-year upstream pipeline of USD 29.3 billion in FY22, of which 31% is in IDA FCS and 52% is climate-related;
- Introduction of IFC Country Strategies, which guide deployment of IFC resources, focuses on the areas where markets can be created and helps to build a stronger pipeline in each client country; and
- Introduction of country-driven budgeting, giving country managers and regional directors greater control over the planning and delivery of upstream and advisory services;

Overall, there is considerable evidence that these initiatives have been operationalized. Stakeholders at IFC also confirmed that there are sufficient tools and resources to support market creation at country level – the main constraint, rather, is the lack of bankable projects that are of a sufficient size and are likely to be realised over a reasonable timeframe.

In the case of the Cascade, however, there are indications that the approach is not being implemented systematically. Group Internal Audit (GIA) notes that “key steps have been taken” but “the current efforts and institutional arrangements need strengthening to effectively implement the Cascade approach across WBG institutions.” Furthermore, incentive initiatives “have not been effective in motivating staff to adopt the Cascade approach”. GIA noted that the framework would benefit from “systematic monitoring and review using measurable metrics” (GIA Assurance Review: Cascade Decision Making Approach, FY21). This evidence was corroborated by IFC stakeholders at country level, who noted collaboration as part of the Cascade was often sector-specific and not systematic.

**Element 3: IFC’s operating framework is reviewed regularly to ensure its continued relevance. This happened in the context of the Forward Look and Capital Increase Package and with the introduction of IFC 3.0 and the focus on creating markets. IFC’s operating framework is regularly reviewed in the context of its annual Strategy and Business Outlook (SBO) or SBO-update. Stand-alone joint IFC-IEG deep dive reviews have been implemented to investigate and respond to emerging performance challenges.**

Reviews and updates to IFC’s operating framework and strategic priorities have been implemented over the course of the assessment period to ensure continued relevance. As elaborated above, major changes during the review period included the introduction of IFC 3.0 in response to the WBG Forward Look, identification of the CIP Package Commitments and introduction of the Cascade approach.

These shifts have been complemented by internal processes for regularly reviewing delivery of IFC’s strategic vision and commitments. These include the delivery of three-year SBOs and annual updates, presented to the Executive Board. As discussed above, these documents provide an overview of operational shifts and resources allocation implemented to deliver the strategic vision. A review of SBOs covering the assessment period demonstrates a clear focus on strengthening markets, particularly in IDA and FCS countries, with the creation and focus of the upstream units and most recently merging them into IFC’s advisory services. Furthermore, the W process, the annual budgeting process, has served as a regular corporate process through which strategic reprioritization occurs.

As noted above in this MI, the Corporate Scorecard has been another important tool for reviewing IFC’s operating framework and identifying where course corrections may be needed. After introducing the revised scorecard in FY19, adjustments were made based on staff feedback and discussion with the Board.
The scorecard is meant to be treated as a living document whereby indicators are added or dropped as priorities emerge or targets are achieved. However, this approach can at times reduce visibility over some indicators even where they continue to be tracked internally – for example, ex-ante contributions to GHG emissions and gender flagging of Investment Services (IS) and Advisory Services (AS).

There are other notable examples, discussed previously above, where regular review processes have triggered action, including joint IFC-IEG Deep Dives on declining development outcome ratings for IS and development effectiveness for AS projects, triggering a change in IFC’s ADM and supported the development of the AIMM system. IFC Sector Deep Dives are a “diagnostic and business development tool to help: (i) assess global markets through the use of frameworks that identify the current state, growth potential and economic and development impact of each sector; (ii) identify gaps and barriers to entry and key drivers that enable a successful sector transformation; and (iii) develop pathways to implement IFC 3.0 with a focus on sector reform, partnering with the WBG and deploying investment and advisory capabilities. By developing its sector deep dives with a consistent framework, IFC will have a means to aggregate its strategy in multiple ways, particularly across countries/regions and within its sector verticals.” (IFC SBO FY20-FY22).

Respondents to MOPAN’s stakeholder survey generally indicated that IFC has been responsive in adapting their strategy as market conditions change. MOPAN stakeholders generally responded favourably (88%) to “IFC has been able to adapt its financing to respond to COVID-19 in an agile responsive way.” (see chart below)

**Element 4: Although progress has been made, there remain important challenges for promoting collaboration across the WBG and also within IFC.**

The 2013 WBG Strategy (“A Stronger, Connected, Solutions WBG”) identified a number of avenues for enhancing collaboration to work as “One Bank” including:

- Integration of corporate support functions across the WBG;
- Better co-ordination of planning and budgeting processes;
- Joint business planning through the Country Partnership Framework (CPF) to reinforce the impact of WBG activities on global goals;
- Increasing the number of joint projects among WBG entities, including joint financing of a single project or a sequence of projects with shared objectives and a shared strategy; and
- Introduction of the new organizational structure and operating model in 2014 was intended to deepen collaboration between technical experts and country teams and promote knowledge flow.

The “One-Bank” approach is a central component to the 2013 Strategy whereby WBG entities are intended to work together collaboratively using their respective comparative advantages to scale-up development results. In particular, the WBG has sought to enhance co-ordination between the World Bank, IFC and MIGA in the development of CPFs, including through the development of new analytical products. This was complemented in 2016 by the introduction of the Cascade approach, through which operations are designed through an algorithm that first considers opportunities to address the development challenge in question...
through engaging the private sector. Greater collaboration, however, relies on all of the operating models of all three institutions (WB, IFC, and MIGA). Cooperation is promoted also within IFC-specific strategies. For example, IFC 3.0 specifically cites the importance of “working together” with other WBG entities, which has been further reinforced in SBOs.

There has been tangible progress in implementing the “One Bank” approach; For example, Country teams indicate that progress has been achieved in developing integrated CPFs between IFC, MIGA and the World Bank, confirming strong collaboration throughout the process. An upstream approach, including development of CPSDs as an input to the development of CPFs has been instrumental in this regard. As noted above, over the review period, 40 CPSDs had been completed by the end of FY22 (46 at the time of drafting).

Stakeholders have identified instances where co-operation with WB and among IFC colleagues is occurring:

- CPSDs always have one Task Team Lead from each institution;
- Core teams including joint practice groups and industry groups;
- Review of the ADM was conducted jointly with the World Bank;
- Joint concept review meetings chaired by the World Bank country director and IFC regional director;
- Collaboration between the Development Impact, Climate and Gender teams to develop scoring methodologies;
- Collaboration with WB colleagues for upstream projects in FCS; and
- The Joint Capital Markets Program (J-CAP).

There were considerable efforts undertaken to implement the One Bank approach, including training and knowledge management sensitising teams to the Maximizing Finance for Development (MFD) concept and promoting collaboration across WBG. These included learning modules in the form of MFD clinics, a learning catalogue of WBG instruments, and a compulsory module for senior level staff.

Internally, IFC’s Accountability and Decision-Making (ADM) Framework identifies how different groups across the organisation collaborate in the context of key internal processes, including operations design and decision-making, disbursement, supervision and monitoring and completion reporting. This document identifies how different teams contribute to review, input, decide and approve in the context of various internal processes, bringing together different teams across the organisation, including Headquarters and Country Offices.

However, key aspects of the “One Bank” approach were never fully implemented. These include metrics for institutional collaboration and harmonization of policies for the WBG that recognizes the different needs of public and private sector clients. Another issue is the implementation of the Cascade approach, which was also identified in MOPAN’s Assessment of IDA and IBRD. IFC Stakeholders, independent evaluations and GIA reports all suggest that more limited progress has been made in implementing the Cascade algorithm. In particular, stakeholders expressed concerns over the practicality of applying the algorithm systematically.

An Assurance Review by the WBG Internal Auditor (GIA) in FY21 found that, while key steps had been taken, the efforts and institutional arrangements required strengthening. While certain incentives were in place, “have not been effective in motivating staff to adopt the Cascade approach”, “a systematic and consistent process” was needed and the approach would “benefit from systematic monitoring and review using measurable metrics across WBG institutions”.

There are also conceptual challenges with how the Cascade approach has been framed. IFC stakeholders note that, where WB colleagues do not apply the approach in the selection of projects, there is little scope for IFC colleagues to raise opportunities for private sector involvement. Rather than being one-directional, this process would ideally allow for an ongoing strategic dialogue between the institutions, including consideration of IFC policy dialogue priorities during Performance and Learning Reviews conducted at the mid-point of CPF cycles.

However, broader staff perceptions on institutional collaboration as reported in the staff survey have been mixed. The WBG-wide Corporate Scorecard includes an indicator on staff perceptions of collaboration from
the staff engagement survey. A minority of IFC staff responded favourably to this question and fewer than half of WBG staff overall, despite some improvement since 2019.

Element 5: IFC’s operating framework clearly delineates responsibilities through the Accountability and Decision-Making Framework (ADM). The ADM has been revised during the review period, with the intent to clarify decision-making authority and to improve results.

A new Accountability and Decision-Making (ADM) Framework was introduced in 2018 with the aim of reducing pain points and improving decision-making effectiveness. The IFC SBO FY17-19 states that these changes were implemented to “improve accountability and help with the strategic relevance, quality, and achievement of advisory results” and that the “role of the results-measurement team will also become more robust across the advisory project cycle to improve focus and definition of objectives, apply the AIMM system to advisory work, and develop streamlined results frameworks and documentation requirements”.

Specific changes included incorporating the AIMM score into the decision-making process to help apply a portfolio approach to IFC’s investment strategy. The decision-making processes were meant to be streamlined by: (i) identifying one decision-maker for projects; (ii) setting clear roles and responsibilities for reviewers; (iii) streamlining processes for repeat business; and (iv) simplifying, abbreviating and focusing documentation requirements on key issues; and (v) ensuring greater quality control by separating the roles of recommender and decider.

Other changes were implemented to strengthen development outcome and development effectiveness ratings in response to a joint IFC-IEG review. The FY20-22 SBO indicates that these changes were intended to: (i) clarify lines of responsibility for project quality; (ii) strengthen governance of AS through regular portfolio reviews; and (iii) strengthen the role of monitoring and evaluation in all aspects of project development and supervision, including strengthening the quality of project self-evaluation. Better integration of AIMM in the decision-making process was similarly intended to support this objective by influencing project selection and design and overall development impact over the longer-term.

Introduction of the revised ADM in 2018 is an example of how IFC has implemented evidence-based review and course correction of the operating framework. As discussed above, the changes implemented in 2018 were informed by an IFC-IEG review of declining development outcome and development effectiveness ratings which highlighted opportunities to strengthen work quality. Since implementing the revised ADM in 2018, IFC has continued to take stock and correct course as needed.

As part of the changes introduced, some decision-making responsibilities shifted from Global Industry Directors to Regional Industry Directors in the case of global projects. IFC’s SBO FY19-21 stated that “The new ADM creates clear roles and accountability for key decisions and establishes a more disciplined decision process and ways of working. It identifies one decision-maker for projects; sets clear roles and responsibilities for reviewers; and ensures greater quality control by separating the roles of recommender and decider.” However, some stakeholders indicated that the changes introduced in 2018 have contributed to more centralised processes and greater accountability for quality control, but also created bottlenecks (e.g., too many decisions having to be made by global industry directors). This perception is corroborated by feedback from the staff survey, for which a minority of staff responded favourably to the questions around the timeliness of decision-making and IFC’s processes and procedures. In FY23, IFC introduced a revised ADM to address some of these challenges.

Another example of where IFC has used evidence to adjust changes to decision-making processes includes IFC’s management E&S risks. Some stakeholders noted a perceived reduction in operational efficiency following the separation of E&S functions into two departments. IFC stakeholders explained that the existing E&S Sustainability Advice and Solutions Department shifted to work on operations as an integral part of project teams to identify, evaluate and manage ESG issues in projects. The new E&S Policy and Risk Department serves as a regulatory function independent from operations, which provides a second line of defence and offers corporate oversight, guidance, and support on E&S risk management for high-risk projects.
In FY22, IFC issued a revamped version of the 2016 Environment and Social Review Procedures which sets out clear accountabilities and differentiated processing for Regular and High-Risk Projects. In FY23, the ESRP were further updated to align with the revised institutional ADM framework to further streamline processes and operational efficiency while improving effectiveness of E&S risk management.

### MI 1.2 Evidence confidence

| High Confidence |

### MI 1.3: The MO’s strategic vision supports the implementation of the 2030 Sustainable Development Agenda and relevant global commitments.

<table>
<thead>
<tr>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
</tr>
<tr>
<td>Overall MI score</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Element</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Element 1: The MO’s strategic vision is aligned to the 2030 Sustainable Development Agenda and other relevant global commitments as appropriate and their results.</td>
<td>3</td>
</tr>
<tr>
<td>Element 2: The MO applies a system to track results aligned to the 2030 Sustainable Development Agenda and other relevant global commitments.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: The MO’s progress on implementation and aggregated results against global commitments, including Agenda 2030 and other global commitments, are published at least annually.</td>
<td>3</td>
</tr>
</tbody>
</table>

### MI 1.3 Analysis

#### Source document

- 9, 10, 11, 30, 57, 58, 78, 105, 112, 113, 115, 116, 136, 137, 139, 155, 158, 159, 160, 176, 182, 216, 362, 375, 376

#### Element 1: IFC’s strategic vision is clearly aligned to the 2030 Sustainable Development Agenda and other global commitments (e.g., Paris Agreement, Hamburg Principles). Many components in IFC’s Capital Increase Package and IFC’s Scorecard clearly link to these objectives.

The Forward Look, the CIP commitments and subsequent SBOs position IFC’s strategy and vision as aligned with the 2030 agenda and the Paris Agreement. IFC’s sectoral priorities contribute to the Sustainable Development Goals (SDGs), as well as its cross-sectoral priorities. International commitments relevant for the private sector, such as Maximising Finance for Development (Hamburg Principles), are well-reflected in the strategic vision.

Specific commitments were articulated in the CIP and underwent an Independent Validation by IEG (The WBG’s 2018 CIP in the Context of the Forward Look, 2023 - An Independent Validation of Implementation Results). The CIP was intended to support IBRD and IFC to: (i) increase their commitments (IFC: USD 25B by 2030 – target year for all commitments unless specified differently); and (ii) increase private capital mobilisation (IFC: USD 23B). IFC fundamentally revised its scorecard to reflect the CIP commitments.

Other commitments aligned to the SDGs include:

- Increasing IFC investments in IDA and FCS (40% of commitments), and low-income (LIC) and FCS countries (IDA and LIC: 15-20% of total commitments);
- Increasing the share of LTF climate commitments (35%, and 32% between FY20 and FY30), systematically screen projects for climate risks, apply greenhouse gas (GHG) accounting, incorporate the shadow price of carbon in its economic analysis and disclose its own GHG emissions; and
- By 2030 reaching 50% of women nominee board directors, quadrupling the amount of financing dedicated to women and women-led SMEs, and expanding its investments to FIs specifically targeting women; and by 2020 flagging all investment and AS projects with gender components.

IFC also made commitments related to the Paris Agreement, namely to align 85% of new financial flows starting FY24 and 100% starting FY26, and reported to be on track to achieve this commitment, which was in line with the Joint Multilateral Development Bank (MDB) Methodological Principles (see: Paris Alignment and IFC website).

#### Element 2: IFC tracks results aligned to the 2030 Sustainable Development Agenda and other relevant global commitments through its reporting on CIP commitments, specific reporting to its Development Committee and a dashboard illustrating clients contributing to different SDGs.
IFC clearly tracks results related to the 2030 Sustainable Development Agenda (see Element 1.3.1) and reports against them. There has also been regular reporting to the Board and Governors on the implementation of the CIP commitments. Global commitments are incorporated into corporate reporting of results, including through the WBG and the IFC Corporate Scorecard, reporting on portfolio-level results, project-level indicators, and AIMM results. Tier 2 of the WBG Corporate Scorecard reflects the development results reported by clients implementing WBG-supported operations. These targets are well-aligned with the Sustainable Development Goals (e.g., Greenhouse gas (GHG) emission reductions (tCO2eq/year). IFC regularly track and reports inputs to the Scorecard. However, reporting could be further strengthened through more consistent identification of IFC-specific annual targets and separate reporting of IFC’s contribution to WBG Scorecard indicators.

Furthermore, the WBG and IFC reported on the alignment of their strategy with the Hamburg Principles, in the context of Maximizing Finance for Development (Development Committee, 2017), considering in particular the IDA-PSW, IFC’s Creating Markets strategy and the WBG efforts in private capital mobilisation as key components.

IFC has a “Dashboard” that reports the number of clients contributing to different SDGs and provides data by fiscal year (FY), from FY15-21 (Figure 1). By SDG, the most contributions were to SDGs 8 (Decent work and economic growth), 10 (reduced inequalities) and 5 (gender equality), with about 2000 clients each, followed by SDG 17 (partnerships for the goals, 1329), 9 (industry, innovation and infrastructure, 859) and 1 (no poverty, 725). On average, about 100 clients per year contributed to delivery of the SDGs in FCS-countries.

**Figure 1. Number of IFC clients to SDGs by year**


IFC also reports on the specific contributions its clients make to various SDGs. For example, for access to financial services, IFC reports on micro loans (by number and volume, gender disaggregated – Figure 2) as contribution to SDG 1 (no poverty) or the number of people benefitting from infrastructure services (e.g., airlines, airports, internet and phone connections, road, bus and rail passengers) and patients and students served (the latter gender-disaggregated) – see Figure 3.
Until FY19, IFC also had specific goals (IFC Development Goals) for such indicators in its scorecard, with targets. The indicators were people reached with infrastructure services (which also included power), students, patients and farmers reached, access to finance for microenterprises and SMEs, and reductions in
GHG emissions. These were reflected in IFC’s Corporate Scorecard until the FY17-19 SBO and subsequently were not reported following IFC’s revision of the scorecard to reflect IFC 3.0 (Table 6).

Table 6. IFC Development Goals

<table>
<thead>
<tr>
<th>IFC’s scorecard targets: Development reach</th>
<th>FY14-16 Target</th>
<th>FY14-16 Target</th>
<th>Achieve ment</th>
<th>Later target (% of earlier)</th>
<th>FY17-19 Target</th>
<th>FY17-18 Q3 Results</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers reached (M)</td>
<td>4.64</td>
<td>4.5</td>
<td>97%</td>
<td>71%</td>
<td>3.3</td>
<td>0.9</td>
<td>27%</td>
</tr>
<tr>
<td>People reached with H&amp;E services (M)</td>
<td>14.8</td>
<td>31.4</td>
<td>212%</td>
<td>176%</td>
<td>26.1</td>
<td>15.1</td>
<td>58%</td>
</tr>
<tr>
<td>A2F: Micro-enterprises reached (M)</td>
<td>83.59</td>
<td>119</td>
<td>142%</td>
<td>118%</td>
<td>98.3</td>
<td>40.3</td>
<td>41%</td>
</tr>
<tr>
<td>A2F: SMEs reached (M)</td>
<td>4.61</td>
<td>3.5</td>
<td>76%</td>
<td>63%</td>
<td>2.9</td>
<td>0.9</td>
<td>31%</td>
</tr>
<tr>
<td>People reached - infrastructure (M)</td>
<td>75.36</td>
<td>152.4</td>
<td>202%</td>
<td>90%</td>
<td>64.1</td>
<td>40.6</td>
<td>60%</td>
</tr>
<tr>
<td>Reductions in GHG emissions (mt CO₂ equiv.)</td>
<td>18.42</td>
<td>73.5</td>
<td>399%</td>
<td>118%</td>
<td>21.8</td>
<td>15.4</td>
<td>71%</td>
</tr>
</tbody>
</table>

Source: IFC SBO FY16-18, IFC SBO FY17-19.


Element 3: IFC reports annually on implementation progress and aggregated results against global commitments.

The IFC produces an Annual Report that presents progress made in implementing their strategy (IFC 3.0), results the organization has achieved, and financial performance over the period. IFC’s Annual Report has typically included information about the “development reach” of IFC’s clients. This includes, for example, how many farmers, micro-enterprises or SME clients reached, or how many people they served with infrastructure, health or education services (Table 7). IFC pioneered having this data externally assured with consistently favourable assessments on data quality (Table 8).

Table 7. IFC’s public reporting on development reach (data in millions)

<table>
<thead>
<tr>
<th>Reach by IFC’s clients</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers reached</td>
<td>3</td>
<td>3.7</td>
<td>5.3</td>
<td>3.6</td>
<td>3.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Patients</td>
<td>34</td>
<td>41.2</td>
<td>49.9</td>
<td>55.3</td>
<td>44.8</td>
<td>41.8</td>
</tr>
<tr>
<td>Students</td>
<td>4.9</td>
<td>5.7</td>
<td>4.7</td>
<td>5.5</td>
<td>7.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Micro-enterprises</td>
<td>53.7</td>
<td>54.4</td>
<td>50.3</td>
<td>49</td>
<td>53.1</td>
<td>42.4</td>
</tr>
<tr>
<td>SMEs</td>
<td>8.3</td>
<td>8.3</td>
<td>7.9</td>
<td>10.7</td>
<td>12.7</td>
<td>14.6</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>178.4</td>
<td>118.5</td>
<td>118.5</td>
<td>62.4</td>
<td>71</td>
<td>72</td>
</tr>
<tr>
<td>Gas distribution</td>
<td>59.9</td>
<td>3.1</td>
<td>3.4</td>
<td>3.2</td>
<td>4.2</td>
<td>0</td>
</tr>
<tr>
<td>Water distribution</td>
<td>14.3</td>
<td>18.2</td>
<td>18</td>
<td>0.8</td>
<td>1.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Power distribution</td>
<td>24.8</td>
<td>18</td>
<td>15.6</td>
<td>9.8</td>
<td>8.2</td>
<td>11.3</td>
</tr>
<tr>
<td>Power generation</td>
<td>79.4</td>
<td>79.2</td>
<td>81.5</td>
<td>48.6</td>
<td>57.3</td>
<td>58.8</td>
</tr>
<tr>
<td>Phone connections</td>
<td>345.3</td>
<td>186.7</td>
<td>186.9</td>
<td>184</td>
<td>74.6</td>
<td>90.7</td>
</tr>
</tbody>
</table>

Source: IFC’s Annual Reports, FY17-19 and Assurance Statements – selected data. Some of the data was only available in the online versions. Note also that additional information was reported and assured.

Table 8. Development Reach Data reviewed by IFC’s Assurance Provider

<table>
<thead>
<tr>
<th>By Type</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment (millions of jobs)</td>
<td>1.91</td>
</tr>
<tr>
<td>Patients served (millions)</td>
<td>41.8</td>
</tr>
<tr>
<td>Students reached (millions)</td>
<td>0.8</td>
</tr>
<tr>
<td>Farmers reached (millions)</td>
<td>3.5</td>
</tr>
<tr>
<td>Gas distribution (millions of people reached)</td>
<td>0.0</td>
</tr>
<tr>
<td>Water distribution (millions of people reached)</td>
<td>1.9</td>
</tr>
</tbody>
</table>
Power distribution (millions of people reached) 11.3
Power generation (millions of people reached) 58.8
Phone connections (millions of people reached) 90.7
Number of transactions in trade finance (millions) 1.8
Amount of transactions in trade finance (USD billions) 226.5
Number of microfinance loans (millions) 42.4
Amount of microfinance loans (USD billions) 108.0
Number of small and medium loans (millions) 14.6
Amount of small and medium loans (USD billions) 516.9
Number of microloans to women-owned enterprises 20,428,671
Micro-Loans to Women-Owned Enterprises (USD billions) 16.1
Number of SME Loans to Women-Owned Enterprises 727,368
SME Loans to Women-Owned Enterprises (USD billions) 19.7


As noted above, IFC reports progress against its global commitments through the Corporate Scorecard. Whereas IFC’s Annual Report used to present information on the Corporate Scorecard, this information is now reported as part of the SBO or budget papers. Other information presented includes reporting on portfolio-level and project-level results as well as AIMM scores. However, this reporting is driven by IFC’s corporate commitments and targets rather than by SDG alignment or achievement. IFC separately reports on SDG alignment via its SDG Dashboard.

MI 1.3 Evidence confidence

High Confidence

MI 1.4: The MO’s financial framework supports the implementation of its mandate.

<table>
<thead>
<tr>
<th>Element</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Highly Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>3.57</td>
</tr>
</tbody>
</table>

Element 1: The MO’s financial and budgetary planning ensures that all priority areas have adequate funding in the short term or are at least given clear priority in cases where trade-offs are required.

Element 2: The MO has a single integrated budgetary framework that ensures transparency.

Element 3: The MO’s financial framework is reviewed regularly by its governing body.

Element 4: A strategy and framework are in place to enable and guide the raising funds to deliver the MO’s investment programme.

Element 5: A framework is in place to enable and guide the raising of funds including from donors, own income and other sources, to support advisory work, technical assistance, analytical work and blended concessional finance to deliver on the MO’s corporate objectives.

Element 6: Policies/measures are in place to ensure that funds raised from the capital markets as well as from donors and other partners are applied flexibly to target priority themes and markets as needed.

Element 7: The MO manages concessional funds to optimise development impact in line with strategic priorities agreed with donors. When concessional funds are provided as part of a financing package, they are applied flexibly in line with the DFI Enhanced Blended Concessional Finance Principles for Private Sector Operations.

MI 1.4 Analysis

Element 1: IFC’s financial and budgetary planning ensures that all priority areas have adequate funding in the short term and are given clear priority in determining trade-offs.

The SBO and the corporate scorecard set out targets and a trajectory to achieve IFC commitments (2030 policy commitments, IFC 3.0 strategy, and CIP commitments), discussed in detail above. The budget paper is timed after the SBO, such that budget discussions are guided by strategic decisions alongside financial sustainability and cross-cutting issues. This allows strategy to become the ultimate driver of the budget, along with consideration of financial sustainability and cross-cutting issues. As noted in MIs 1.2 and 1.3, 59, 91, 92, 93, 100, 101, 107, 111, 113, 120, 121, 126, 128, 129, 131, 133, 137, 146, 147, 152, 158, 160, 165, 171, 172, 178, 179, 180, 182, 185, 186, 196, 197.
above, previous SBOs and budget documents put particular emphasis on resource allocation and shifts to support changes to organisational structure and staffing in line with IFC 3.0 and the CIP commitments.

There are multiple touchpoints and close engagement between IFC budget and strategy teams throughout the process. The budget team is involved from the beginning of a long process, that starts in about October and ends in June of every year. The SBO and budget are developed in collaboration with the strategy and operational departments.

Together with HR (which focuses on the staffing needs arising from the changes in strategy – and staffing accounts for about 75% of total costs), the budget team is continuously involved. Using a traditional bottoms-up approach, the budget team then refines these initial estimates to determine the actual corporate gross resource needs. The IFC uses efficiency and other budget discipline initiatives that are embedded in budget trajectories for future years (as part of the overall presentation of IFC’s work program, deliverables and budget trajectories).

Beyond demonstrating allocation of resources in line with strategic commitments and priorities, the budgeting process itself conforms to certain efficiencies as agreed to in the capital package commitments. For example, IFC is accountable for the Budget Coverage Ratio (BCR) (making sure it makes enough money to cover administrative expenses). The BCR provides an internal driver for capping growth of the administrative budget, contributing to a discussion of trade-offs. Internally, IFC also uses a cost of doing business tool (CODB) (articulates the cost of staffing, global footprint and enhanced upstream engagement, offset by efficiencies and economies of scale against dollar spend), which “has been mainstreamed into IFC’s budget preparation since FY18” (IFC Budget Paper, FY21). Recent trends regarding the Budget Coverage Ration are presented in KPI 11.

The “Cost of Doing Business Analysis (CODB) helps IFC understand the cost dynamics of investment projects in each of the business areas. The analysis can also be used to estimate future resource requirements and can help Management assess the reasonableness of incremental budget requests. For example, in response to the COVID pandemic IFC expected more use of short-term finance and “increased portfolio management activities due to higher restructuring efforts and greater need for closer supervision work, as clients experience liquidity and working capital constraints.” (IFC Budget Paper, FY21) The SBO and budget papers also outline how human resource and budget allocations will need to change to deliver its priorities.

MOPAN survey respondents generally agree that IFC’s financial framework supports the effective implementation of its mandate and vision (8% strongly agree, 55% agree, and 15% somewhat agree); however, 14% of respondents indicated that they didn’t know or had no opinion. 73% of shareholders agree (38% agree and 35% somewhat agree) that IFC has generated transparent cost savings through expenditure review and control of administrative expenditure; notably however 23% of shareholders indicated that they didn’t know.
Element 2: IFC’s budget framework ensures transparency, including detailed explanations of outflows, inflows, external funds and rationalisation of administrative expenses. Transparency is supported through a publicly available annual budget and annual audited financial statements. IFC’s administrative budget is supported by special allocations to fund its advisory services.

IFC identifies major inflows and outflows in its public annual financial statements. IFC’s administrative expenditure is rationalized through its annual budgeting process.

These targeted efficiency measures/economies of scale and related expected savings are closely tracked from estimation, through centrally managed redeployment, and final validation to confirm that they have indeed fully materialized. IFC identified on average about USD 50-USD 60 million annual budget savings as part of the CIP commitments, with CIP reporting indicating expected savings of USD 409 million by FY25.

Table 9 shows the evolution of IFC’s budget over the review period, as well as IFC’s administrative expenses. Between 2017 and 2023, IFC’s administrative budget has increased on average by 3.8% p.a. and spending from that budget increased by 3.9% p.a. between 2016 and 2022 because IFC did not fully utilize its budget in the initial years. Its total budget authority (including special initiatives and allocations of retained earnings) - as well as actual expenses - increased by 3.9% p.a. IFC’s total administrative spending from its financial statements increased by 7.5% p.a. The reason for the faster growth of the latter was total administrative expenses include funding from other sources (e.g., fees, donors), as well as pension-related expenses.

Table 9. IFC Administrative Budget (FY16-22)

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin Budget Authority</td>
<td>976.2</td>
<td>1,005.50</td>
<td>1,035.70</td>
<td>1,066.70</td>
<td>1,111.50</td>
<td>1,139.30</td>
<td>1,176.90</td>
<td>1,254.60</td>
<td>1,089.30</td>
</tr>
<tr>
<td>Special Initiatives</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>-</td>
<td>-</td>
<td>4.4</td>
</tr>
<tr>
<td>InfraVentures</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>-</td>
<td>-</td>
<td>4.4</td>
</tr>
<tr>
<td>Designations from Retained Earnings</td>
<td>70</td>
<td>66.6</td>
<td>98.4</td>
<td>118.4</td>
<td>118.8</td>
<td>158.3</td>
<td>136.5</td>
<td>131.5</td>
<td>116.2</td>
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<tr>
<td>CMAW</td>
<td>-</td>
<td>-</td>
<td>50</td>
<td>70</td>
<td>70</td>
<td>90</td>
<td>80</td>
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<td>FMTAAS</td>
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<td>63</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>60</td>
<td>50</td>
<td>50</td>
<td>51.3</td>
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<td>PGBG</td>
<td>6</td>
<td>1.6</td>
<td>2.1</td>
<td>2.1</td>
<td>2.5</td>
<td>4.3</td>
<td>2.8</td>
<td>-</td>
<td>2.6</td>
</tr>
<tr>
<td>SME Ventures</td>
<td>1</td>
<td>2</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>4</td>
<td>3.7</td>
<td>1.5</td>
<td>2.3</td>
</tr>
<tr>
<td>Admin Budget + Special Initiatives + Designations of RE Authority</td>
<td>1,042.50</td>
<td>1,077.40</td>
<td>1,139.40</td>
<td>1,190.40</td>
<td>1,235.60</td>
<td>1,302.90</td>
<td>1,313.40</td>
<td>1,386.10</td>
<td>1,209.90</td>
</tr>
<tr>
<td>Capital Budget Authority</td>
<td>140</td>
<td>98.5</td>
<td>69.4</td>
<td>73.2</td>
<td>59.4</td>
<td>59.4</td>
<td>45.9</td>
<td>62.8</td>
<td>67.8</td>
</tr>
<tr>
<td>Growth</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Admin Budget Authority</td>
<td>4.00</td>
<td>3.00</td>
<td>3.00</td>
<td>4.20</td>
<td>2.50</td>
<td>3.30</td>
<td>6.60</td>
<td>3.80</td>
<td></td>
</tr>
<tr>
<td>Admin Budget + Special Initiatives +</td>
<td>3.30</td>
<td>5.80</td>
<td>4.50</td>
<td>3.80</td>
<td>5.40</td>
<td>0.80</td>
<td>5.50</td>
<td>3.90</td>
<td></td>
</tr>
</tbody>
</table>
In addition to its regular budget, IFC also decides separately on the allocation of income to “special initiatives”, for the management of its advisory services. These include the long-standing funding mechanism for technical assistance and advisory services (FMTAAS) and the creating markets advisory window (CMAW), added in FY18. The CMAW is a three-year funding window established to allow IFC to respond to increased demand for advisory services in IDA/FCS. It is also meant to facilitate the implementation of the IDA PSW. Although priority is given to the PSW-eligible countries, the CMAW is available to all IDA/FCS. The CMAW is intended to be leveraged alongside client and development partner contributions to the extent possible.

Smaller amounts have been allocated to InfraVentures, “a USD 150 million global infrastructure development fund”, that has been created as part of the WBG’s efforts to “increase the pipeline of bankable projects in developing countries”, “combining early stage risk capital and experienced project development support”, “to address the key constraints to private investment in infrastructure projects in frontier markets”. (IFC InfraVentures: The IFC Global Infrastructure Project Development Fund, 2022) There are separate decisions made on these allocations because they depend on IFC’s income. The exact amounts are only known after the budget papers are made, since the budget paper is finalized before the end of the fiscal year. Funding decisions under these mechanisms are suggested by IFC’s Board and have to be endorsed by its Governors.

Element 3: IFC’s financial framework is reviewed regularly, most recently through the adjustment of the economic capital framework, to align it better with what is used by ratings agencies. IFC’s financial framework is reviewed regularly by the IFC’s Executive Board. IFC’s financial framework is also assessed regularly by S&P and Moody’s. IFC’s financial and risk management policies, limits, and methodologies are considered robust and conservative.

IFC’s financial framework has been updated as needed, most recently by updating its capital adequacy framework in FY22, to “provide increased granularity in economic capital calculations, while bringing IFC’s definition of capital available more closely into alignment with the financial statement presentation of capital.” (IFC Annual Report FY22 – Financial Statements).

Economic capital is the foundation of IFC’s Capital Adequacy Framework, which is the amount of capital required to support the risks of IFC’s portfolio to maintain its triple-A rating. IFC hold capital against credit, market and operational risk, with required capital being the sum of economic capital allotted to the

Note: CMAW = Creating Markets Advisory Window; FMTAAS = Funding Mechanism for Technical Assistance and Advisory Services; PBGI = Performance Based Grants Initiative.

Source: IFC Budget Documents
investment portfolio, Treasury portfolio and operational risk. The economic capital framework summarises key principles for identifying capital required across different instruments and activities in these areas.

There is a clear governance structure around the oversight, measurement, management and reporting of capital adequacy and economic capital, including:

- The Audit Committee of the Executive Board, which plays a key role in overseeing risk management at IFC, approves IFC’s capital adequacy policy and oversees all changes to Framework;
- The IFC Management Team, which has responsibility for oversight of IFC’s financial sustainability and capital adequacy position, which is reviewed at least quarterly as part of the Finance and Balance Sheet Review process;
- The Corporate Risk Committee (CRC), with reviews and approves all institutional risk-related matters, including updates to the capital adequacy framework;
- The Treasury Committee, a sub-committee of the CRC, which reviews and makes recommendations for CRC approval regarding changes in policies and procedures that impact Treasury Operations;
- Corporate Risk Management, which has responsibility for developing methodologies and models for economic capital and capital adequacy measurement and management and making proposals for updates to the CRC as needed; and
- Investment and Credit Risk, which has responsibility for managing IFC’s Investment Risk platform, which is a key input for economic capital calculations.

IFC 3.0 calls for active portfolio management across sectoral, geographic and investment vehicles against development impact, financial and risk metrics. For example, IFC tracks portfolio AIMM scores and actively uses this information, in particular AIMM vs. RAROC scores, overall and by industry and region to guide investment decision-making. AIMM scores are reported publicly by region and industry.

IFC tracks financial sustainability through several metrics that have evolved throughout the assessment period. At the beginning of the review period, it used the long-established metric of return on net worth. IFC now reports on the risk-adjusted return on capital (RAROC) for IFC’s debt portfolio and total return on its equity portfolio compared to the MSCI Emerging Markets Index (a comparator benchmark, meant to distinguish IFC’s equity return from fluctuations in the market). Information on financial performance indicators is provided in KPI 9.

IFC also used the metric of Deployable Strategic Capital (DSC) to track capital adequacy until FY21 and replaced it with the Capital Utilization Ratio (CUR) in FY22. The CUR and DSC ratio have a one-to-one mapping (CUR = 90% — DSC ratio). Both measures provide an indication of the amount of IFC’s capital that is available to support new investments.

IFC’s financial performance indicators and current capital adequacy position are reported to IFC Management and the Board Audit Committee on a quarterly basis as part of the Portfolio and Risk Report and as part of discussions on the MD&A and financial statements. An annual report is provided to the Audit Committee via the Financial Risk Management and Capital Adequacy position, including updates on the current and projected capital adequacy position and stress testing. Annual updated are provided to the Audit Committee as part of annual Financial Risk Management and Capital Adequacy reporting.

Shareholders responding to the MOPAN survey generally agreed (27% strongly agree, 54% agree and 12% somewhat agree) that IFC has a clear strategy and process for monitoring and ensuring financial sustainability (see below).
IFC’s financial framework is also regularly reviewed by credit rating agencies. Ratings agencies have consistently given IFC the highest credit ratings: S&P a “AAA” credit issuer rating, based on a “Very Strong” Enterprise Risk Profile and an “Extremely Strong” financial risk profile and Moody’s with a “Aaa” long-term issuer rating, an “a3” capital adequacy rating, and “High” member support. Liquidity and funding have typically been “aa1”, except for 2021, when it was “aaa”. S&P (2022) considered “IFC's financial and risk management policies, limits, and methodologies are robust and conservative.”

In FY22, The World Bank Group Internal Audit (GIA) conducted an assurance review of IFC’s capital adequacy framework to evaluate the adequacy of its design, including governance, risk management and internal controls. The review concluded that the Framework includes key components such as risk identification and measurement, capital adequacy planning, risk appetite and stress testing; monitoring and reporting, and an annual framework update cycle. However, GIA noted opportunities to strengthen roles and responsibilities around independent validation of the economic capital investment and investment portfolio models. There are also opportunities to clarify and document key procedures around various data inputs and tracking for the implementation of the economic capital framework.

Stakeholders informed us that IFC has developed and implemented Management Action Plans to address the items identified in the GIA assurance review. A 2022 Corporate Risk Committee Directive on the Capital Adequacy Framework addresses some of these issues, integrating provisions related to the capital adequacy, economic capital and downstream implications into the Enterprise Risk Management Framework, including greater clarity on governance and roles and responsibilities.

**Element 4: IFC’s strategy clearly includes a focus on mobilisation of investment funds, with a goal to increase it significantly by 2030. Since mobilisation is for investment projects supported by IFC, by definition IFC’s strategic priorities apply to them.**

The Management Discussion and Analysis (MD&A) and financial statements identify sources of funds for IFC. These include borrowings, retained earnings, and paid-in capital. IFC borrowings include medium and long-term borrowings from the market, short term borrowings, and borrowings from IDA. As part of the discussion of IFC's funding sources in the financial statements, IFC's capital adequacy is discussed, as per the metric capital utilization ratio (CUR – prior to that deployable strategic capital – DSC).

A key part of IFC’s funding comes through core mobilisation, with a strategic objective of raising core mobilisation to USD 23 billion by 2030 as part of IFC’s CIP commitments. Core mobilisation has been substantial (with commitments equalling about 90% of IFC’s own-account commitments) but following a peak in FY18 (USD 11.7 billion) and IFC’s capital increase, mobilisation stabilized between USD 10.2-USD 10.8 billion) between FY19 and FY22, before increasing to 15 billion in FY23. See MI 1.2 for more detail, including the specific types of mobilisation.

IFC also borrows significant funds from market sources, with its portfolio of borrowing from market sources amounting to USD 49.9 billion in FY22. New borrowings were USD 9.1 billion. “IFC uses its borrowings as a tool to promote capital markets development in emerging and frontier markets and this can result in raising local currency funds. Market borrowings are generally swapped into floating-rate obligations denominated...
in U.S. dollars.” (IFC Annual Report FY22, MD&A) For example, as of FY22, this included borrowings in Bangladeshi taka, Costa Rican colon, Dominican peso, Georgian lari, Indonesian rupiah, Indian rupee, Kazakhstan tenge, Philippine peso, New Romanian lei, Sri Lankan rupee, Turkish lira and Ukrainian hryvnia. (IFC Annual Report FY22 – MD&A). Additional information about IFC’s social and green bonds are presented in element 1.4.6, below.

**Element 5: Donor funds alongside client contributions, the Funding Mechanisms for Technical Assistance and Advisory Services (FMTAAS) and the Creating Markets Advisory Window (CMAW) are key sources of funds for the delivery of Advisory Services (AS) and blended finance.** Over the assessment period, IFC has sought to reform fundraising to enhance strategic alignment and decision-making.

The main sources of funds used for delivering the Advisory program are development partners, Client Contributions, FMTAAS (the Funding Mechanism for Technical Assistance and Advisory Services), and the CMAW (Creating Markets Advisory Window). IFC also extensively uses concessional funds to support blended finance for investments, for example through the IDA-PSW (Private Sector Window) and from donor sources.

Trust funds to support delivery of AS and blended finance are an important source of funds for IFC. Over the review period, contributions to IFC’s TFs have been USD 1.9 billion, or about USD 320 million p.a. While significant for IFC, it is important to point out that this only constitutes 2.5% of contributions to WBG TFs. WBG Trust Funds, however, also include Financial Intermediary Funds, which leverage public and private funds in response to global initiatives and have distinct governance structure. The World Bank serves as trustee to these funds. (WBG TF Reports, 2021 and 2022). IFC's own reporting provides different figures – USD 2.4 billion in total or almost USD 400 million p.a. Given that IFC’s own reporting is more detailed, IFC’s figures are being used here (Table 10).

<table>
<thead>
<tr>
<th>Table 10. Financial Commitments to Trust Funds (in USD millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of TF</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Advisory Trust Funds</td>
</tr>
<tr>
<td>Governments</td>
</tr>
<tr>
<td>Institutional/Multilateral Partners</td>
</tr>
<tr>
<td>Corporations, Foundations and NGOs</td>
</tr>
</tbody>
</table>

**Source:** IFC Annual Reports, FY17-22.

IFC distinguishes between financial commitments for advisory TFs (AS-TFs) - USD 1.6 billion (or USD 267 million p.a.) and blended finance TFs (BF-TFs). The vast majority of TFs are being financed by governments (83% for AS-TFs, 94% if the European Commission is included; and 93% for BF-TFs), but there is also financing from institutional and multilateral partners and corporations and foundations. IFC’s advisory service expenditures have been USD 264 million p.a. over the review period (Table 11).
Table 11. IFC Advisory Services Expenditures

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditures</td>
<td>245.7</td>
<td>273.4</td>
<td>295.1</td>
<td>274.4</td>
<td>244.0</td>
<td>250.6</td>
</tr>
<tr>
<td>o/w: IDA countries</td>
<td>63%</td>
<td>57%</td>
<td>59%</td>
<td>57%</td>
<td>54%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: IFC Annual Reports, FY17-22

The biggest financial contributors over the review period (combining AS and BF TFs) have been the United Kingdom (USD 492M, 21%), Canada (USD 321M, 14%, mainly for BF), and the Netherlands (USD 225M), as well as – only contributing to AS – and Switzerland (USD 205M); the European Commission (USD 167M), Germany (USD 159M), and Japan (USD 91.1M). However, Development partners contribute not just funding, but also their time and knowledge.

IFC’s work with development partners and foundations through these TFs support “work in priority areas such as gender, climate, financial inclusion, infrastructure, agribusiness, and manufacturing”, and in IDA and FCS countries (IFC Partnership website). IFC’s Annual Report FY22 also indicated that these funds are used to support IFC’s upstream (early-stage market and project preparation) work, the development of global standards and knowledge transfer, and relief and recovery efforts, reflecting the pillars of IFC 3.0.

With respect to blended finance, in addition to the PSW, stakeholder consultations indicated that there were close to 20 other fund windows of varying sizes and thematic focus, including climate and agribusiness. The IDA-PSW, initially USD 2.5 billion in IDA18 (of which USD 2 billion was allocated to IFC), then replenished with another USD 2.5 billion in IDA19 (of which USD 2 billion was allocated to IFC) provided a whole new scale of operations (commitments to BF in FY17 were only USD 36.4 million). IDA PSW allocations in IDA19 Replenishment cycle were reduced to $1.67 billion for IFC and MIGA ($1.34 billion allocated to IFC), as the IDA19 period was truncated from three to two years.

There is some very high-level reporting on use of these windows in IFC’s Annual Report, i.e., that in FY22 IFC’s PSW commitments amounted to USD 992 million, but the exact use for different purposes is unclear. A dedicated publication Highlights of IFC Investments Supported by Blended Concessional Finance (2022) reports on deploying USD 3.1 billion of concessional donor funding supporting 369 projects in over 50 countries. While the key focus areas (sectors) of Blended Finance are outlined with some project examples, the detailed breakdown of financing volume by each focus area is not yet presented. IFC is the Chair of the DFI working group on blended concessional finance, which report annually (since 2017) on the breakdown of use of concessional finance, but these publications provides information from all DFIs is being presented – IFC’s own investments are not separated out.

IFC has sought to enhance the alignment of fundraising with its strategic priorities over the course of the assessment period. The FY20-FY22 SBO indicated that “The AS Deep Dives ... demonstrated the need to review IFC’s existing fundraising efforts and TF management practices to increase efficiencies and better align fundraising with strategic priorities. IFC [since] has developed a new ADM to strengthen alignment between fundraising and IFC strategy, better integrate fundraising into the overall annual planning process and increase efficiency in fundraising and TF management and reporting.”

In FY2019, IFC instituted financial principles to ensure funds for advisory services are used efficiently and strategically.

Element 6: In addition to specific windows for designating retained earnings to support advisory services in key areas (e.g., the FMTAAS and CMAW, describes in element 1.4.5, above), IFC bond issuances provide a means of raising flexible funds from capital markets to support priority themes.

Concessional funds from donors are typically more closely tied to specific thematic areas or eligible countries (e.g., FCS and IDA LIC). The introduction of country-driven budgeting has been useful to help align donor funds to country needs and priorities to support upstream work more strategically.
Social and Green Bonds:

IFC’s social and green bonds contribute a flexible source of finance to support programming aligned to priority themes.

IFC launched a “Social Bonds Program” in 2017 that allocates investments to the achievement of certain SDGs, with the credit risk of IFC. IFC is a frequent issuer of social bonds, which align with the Social Bond Principles issued by the International Capital Markets Association (ICMA) ([IFC: Social Bonds website]). Social bonds finance a diverse range of social projects (e.g., base-of-the pyramid, women-owned enterprises, pharmaceutical production during COVID). ([IFC Social Bond Factsheet]). IFC also has issued green bonds for over a decade, starting in 2010. As of June 2023, IFC had issued USD 12.6 billion in green bonds across 198 bonds in 21 currencies.

In FY22 was awarded the “Social Bond of the Year” by Environmental Finance (for a bond targeting health). As of end-FY22, IFC had issued 73 social bonds for USD 4.9 billion. ([IFC Green and Social Bond Impact Report, FY22])

Concessional Funds from Donors:

Concessional funds raised from donors (including both bilateral and multilateral donors as well as private foundations are typically channelled toward key priority themes and CIP Commitments including:

- Scaling up engagement in FCS and IDA LICs;
- Scaling up climate finance and gender-tagged projects; and
- SME finance.

Beyond the IDA PSW, there are approximately 20 different concessional donor funds addressing these themes.

The IDA-PSW is centrally positioned in IFC’s 3.0 strategy to deliver IDA 18 policy commitments: “The PSW is a critical element for each of IDA’s, IFC’s and MIGA’s contributions to the WBG strategy to work with the private sector through creating markets and unlocking opportunities” ([Operationalizing the IDA 18 IFC-MIGA PSW, 2017]). The PSW also has strict eligibility criteria, ensuring strategic alignment, including:

(i) The use of PSW resources is limited to IDA-only and fragile or conflict-affected IDA gap and blend countries, as confirmed at the beginning of IDA18;
(ii) (all PSW-supported activities need to be aligned with IDA’s poverty focus and special themes, WBG country strategies, and the WBG’s approach to supporting private sector investments and creating markets; and
(iii) projects that use PSW funds (and blended finance projects, more broadly) should aim at maximizing additionality and market sustainability while minimizing concessionality and meet the Enhanced BF Principles. ([IEG: The WBG’s Experience with the IDA-PSW: An Early Stage Assessment, 2021], in brief IEG IDA-PSW Assessment).

At the same time, the PSW’s eligibility criteria have allowed for flexibility in responding to changes in context. In the context of the COVID-19 response, the PSW “facilitated a rapid expansion of existing financial sector programs as part of the global IFC COVID-19 crisis response. Existing programs (GTFP and WCS), combined with COVID-19 response flexibility, allowed the rapid deployment of short-term finance for existing clients in countries where those programs were already operating.”([IEG 2021 IDA-PSW Evaluation]).

The Introduction of Country-driven Budgeting:

The introduction of country-driven budgeting and a new ADM for Advisory services that more closely links fundraising to strategic priorities (discussed in 1.4.5 above) have been key instruments for promoting flexible allocation of concessional funds and administrative budget allocations to support advisory and upstream work.

The 2022 WBG Trust Fund Report indicates that the funding needs assessment (renamed “country-driven” budgeting) was “fully integrated into IFC’s annual planning and budgeting process” to “ensure that projects and budgets align with IFC’s strategic priorities at a country or regional level”, “allow better alignment with...
development partner priorities to create more efficient and flexible platforms to fund IFC projects addressing key development challenges” and “further support the introduction of streamlined governance around funding proposals and allocations”. The report also highlights the flexible increase of focus on the priority of health and generating and disseminating knowledge during the COVID-pandemic, as well as the long-standing focus on fragility, conflict and violence.

IFC stakeholders confirmed that the introduction of Country-driven budgeting (discussed further in KPI 3) has been instrumental for giving country offices a view of the “bigger picture” with respect to the scope of funds available to support strategic upstream and advisory engagements. However, some stakeholders report challenges in applying concessional sources of funds like the PSW to MICs like Ukraine that are also experiencing fragility.

Country-driven budgeting is discussed in greater detail in KPI 3.

Element 7: IFC governs its use of blended finance in line with the DFI Enhanced Blended Concessional Finance Principles. The introduction of the PSW made an important contribution to enhancing IFC’s approach, enabling the creation of a centre for expertise. IFC is implementing leading practices to track the use of blended finance aligned to strategic themes and track the amount of subsidy, and end beneficiary level.

IFC has played a leading role in the Development Finance Institution (DFI) working group on blended concessional finance, which has also developed enhanced principles for applying blended finance to private sector operations. The DFI Enhanced Blended Concessional Finance Principles initially developed in 2013 and refined in 2017 are: i) additionality / rationale for using blended finance; ii) crowding-in and minimum concessionality; iii) commercial sustainability; iv) reinforcing markets; and v) promoting high standards. (DFI Working Group on Blended Concessional Finance for Private Sector Projects, Summary Report, 2017)

IFC has an institutional policy framework for blended finance through which it applies the Enhanced Principles, aiming to use blended finance: (a) **effectively** to achieve the intended development impact; (b) **efficiently**, making sure that only the minimum concessionality is used to catalyse commercial capital; and (c) **transparently**, to enhance the market creation potential of each transaction (IFC, Blended Finance website).

Stakeholder interviews indicated that by 2019, all concessional finance, which was previously dispersed through the institution, was brought together in one group. At the same time there was a shift in strategy, initially with IFC 3.0 in 2016, and then with opening the IDA-PSW and with the CIP. As noted above, the PSW was centrally positioned in IFC’s 3.0 strategy and envisioned as a key means of delivering upon IFC CIP Commitments, greatly increasing the scale of IFC’s blended finance activities. The PSW’s eligibility criteria emphasise the need for projects which use PSW funds to maximise additionality and market sustainability while minimising concessionality in line with the Enhanced Principles.

The PSW was established a thorough governance process (Figure 4), for which IEG concluded that “systems, processes, and criteria arobust and involve active debate over the required subsidy in the internal approval process through the involvement of the IFC BFC (and the Blended Finance Department) the IDA PSW Secretariat of the Development Finance Vice Presidency, and the IBRD country director in the case of IFC.”  

(IEG: The WBG’s Experience with the IDA-PSW: An Early Stage Assessment, 2021, in brief IEG IDA-PSW Assessment).
Figure 4. PSW Governance Process

Note: Blue boxes denote processes and orange boxes denote PSW actors and stakeholders. Source: IDA PSW, reproduced in the IEG IDA-PSW Assessment, 2021

Although the need to develop this governance structure and an appropriate project pipeline contributed to limited early use of the PSW, this process had a positive influence on the management of blended finance throughout IFC.

The much greater scale of the PSW allowed also for the creation of a centre of expertise for blended finance and supported synergies in concessional financing. IFC Stakeholders reported that this centre of expertise tracks indicators related to blended finance such as the share of projects supported by blended finance in IFC focus areas (gender, climate, IDA/FCS), the amount of subsidy, and end beneficiary level.

Beyond the PSW, stakeholders report there are approximately 20 blended finance donor funds of various sizes addressing priority themes such as climate, gender and support to SMEs, with investment overseen by a Blended Finance Committee responsible for ensuring that all projects requesting concessional resources adhere to the DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects. IFC applies a standard methodology for blended finance pricing based on the return expectations of contributors of concessional funds, the projects specific risks and market failures being addressed by blended finance and the blended finance structures selected to help de-risk the project and improve bankability.

Furthermore, stakeholders noted that IFC is the only DFI to transparently disclose the level of subsidy at the project level, along with the development rationale for the subsidy. IFC describes the governance and transparency principles being applied to blended finance on its website (see also above), which appear to be best practice, particularly with respect to the project-level disclosure of concessionality.

**KPI 2: Structures and mechanisms in place and applied to support the implementation of global frameworks for crosscutting issues at all levels, in line with the 2030 Sustainable Development Agenda principles**

<table>
<thead>
<tr>
<th>Highly Satisfactory</th>
<th>KPI score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3.58</strong></td>
<td></td>
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</table>

IFC has implemented a comprehensive approach to addressing its thematic priorities. Cross-cutting themes, including gender, climate change, fragility and market creation, have been fully integrated into IFC’s Capital Increase Package (CIP) commitments, corporate scorecard and planning processes. IFC’s support to cross-cutting themes is supported by dedicated teams, staff training and a range of financial resources from own account allocations, income designations, client fees and trust funds. New fund windows, including the IDA-Private Sector Window (PSW) and the Creating Markets Advisory Window (CMAW) further support implementation of the upstream approach and investment in LICs and FCS. Analytical products such as the Country Private Sector Diagnostics (CPSDs) and Country Climate and Development Reports (CCDRs) have been introduced to ensure cross-cutting themes are considered in the design of country strategies, advisory work and investments. Tools and dedicated programmes such as the gender flag help further mainstream cross-cutting themes into investments. The Anticipated Impact Monitoring and Measurement
(AIMM) system also plays a role in integrating cross-cutting themes into investment decision-making and supporting project monitoring.

**MI 2.1 The MO’s corporate/sectoral and country strategies respond to and/or reflect the intended results of global commitments for gender equality and women’s empowerment.**

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Element 1</td>
<td>The MO has a dedicated policy statement on gender equality available with evidence of application.</td>
<td>4</td>
</tr>
<tr>
<td>Element 2</td>
<td>The MO has gender equality indicators and targets that are fully integrated into the MO’s strategic vision and corporate objectives.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3</td>
<td>The MO’s accountability systems (including corporate reporting and evaluation) reflect gender equality indicators and targets.</td>
<td>4</td>
</tr>
<tr>
<td>Element 4</td>
<td>The MO applies gender equality screening checklists or similar tools to inform the design of investments and other operations.</td>
<td>4</td>
</tr>
<tr>
<td>Element 5</td>
<td>The MO has identified the human and financial resources are to address gender equality issues.</td>
<td>3</td>
</tr>
<tr>
<td>Element 6</td>
<td>The MO’s staff are trained on and/or have access to staff with expertise on gender equality.</td>
<td>3</td>
</tr>
</tbody>
</table>

**MI 2.1 Analysis**

**Element 1: The WBG has a dedicated gender strategy.** Furthermore, IFC’s Capital Increase Package (CIP) made ambitious additional commitments with respect to promoting gender equality. IFC’s SBOs have consistently discussed gender as a priority and there are scorecard targets related to women. Gender is also reflected in IFC Country Strategies and Country Private Sector Diagnostics.

The WBG has a Gender strategy ([Gender, Equality, Poverty Reduction and Inclusive Growth, 2016-2023](#)), which positions gender equality as central to WBG’s goals of ending extreme poverty and boosting shared prosperity in a sustainable manner. The Gender Strategy outlines an approach for translating WBG commitments on closing gender gaps into results. This operational approach includes five pathways to operationalize the strategy: (i) Deepening the Country-Driven Approach; (ii) Developing a Better Understanding of What Works; (iii) Building on What Works; and (iv) Establishing a Strategic Approach to Mainstreaming that Helps Achieve Results, and (v) Leveraging Partnerships for Effective Outcomes. Two phased implementation plans for IFC have been developed for the Gender Strategy (Gender Strategy Implementation Plan I (FY17-19) and II (FY20-23)).

IEG’s mid-term review (MTR) of the WBG Gender Strategy (2021) recognized IFC’s well-organized implementation of the gender strategy, its active role in developing a coordinated model, and the support provided by its staff designated to support work on gender. This was subsequently reinforced by IFC’s retrospective on implementation of the Gender Strategy. Greater detail on implementation is provided in element 2.1.4.

Gender is established as a strategic concern for IFC both in the WBG Gender Strategy and in the Capital Increase Package (CIP). Specific CIP commitments aim to enhance both mainstreaming of gender and standalone gender-related investment and advisory services. Additionally, IFC committed to expand its engagement on closing gaps between men and women beyond entrepreneurship, to include employment, a wider range of assets such as insurance, housing and technology as well as themes related to leadership, care, and gender-based violence. Specific targets were identified to operationalise these commitments, discussed further in KPI 2.

In line with these strategic and policy-level commitments, IFC has consistently reflected gender in its corporate strategic planning. IFC’s annual Strategy and Business Outlooks (SBOs) maintain that gender is an important cross-cutting priority – and in its regional and country strategies. It is evident that gender has high visibility for IFC.

Other cross-cutting WBG strategies also address gender. For example, the WBG Strategy for Fragility, Conflict and Violence 2020-2025 addresses gender inequalities as aggravating factor in FCV operations and

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gender-based violence as a major threat to development. For forcibly displaced persons and their host communities, the WBG focusses on “key areas for medium-term success, especially jobs and education, and closing gender gaps by empowering women and girls.” IFC specifically recognizes the heightened ESG risk in FCV setting, in part related to GBV. Interviews confirmed that special attention is being paid to such risks and that IFC has developed a special checklist which it applies to high-risk clients.

Furthermore, the Climate Change Action Plan (2021-2025) recognizes that “A people-centred approach is essential for the political feasibility of climate action and to ensure that gains and losses from the transition to a low-carbon, resilient economy are shared equitably. This approach requires citizen engagement and participatory processes that consider diverse viewpoints, including gender. The WBG will mainstream gender-sensitive approaches to climate action on the ground.”

Gender also featured prominently in IFC’s COVID-19 response. The FY22-24 SBO cites that “delivering on an inclusive recovery requires creating private sector opportunities that provide equal economic access to all genders across regions, industries, and other thematic areas.”

Evidence from the MOPAN survey highlights that generally stakeholders agree (78% favourable responses) that IFC promotes gender equality, with less certainty particularly on the part of Host Governments with 46% either disagreeing or indicating that they did not know. Overall, 15% of respondents indicated that they didn’t know.

Element 2: IFC has gender equality KPIs and targets that are integrated into IFC’s strategic vision and corporate objectives, as expressed in the CIP commitments, Corporate Scorecard and SBOs. IFC also tracks and reports on these KPIs internally.

As part of the capital package increase, IFC committed to the following:

- By 2030, quadrupling the amount of annual financing dedicated to women and women-led small and medium enterprises;
- increasing annual commitments to financial intermediaries (FI) targeting women;
- doubling the share of women directors that it nominates to boards of companies; and
- by 2020, flagging all projects with significant gender components.

IFC reports on its gender commitments, as outlined in the CIP. Indicators for three of the four commitments are included in the Corporate Scorecard, including: (i) the share of women nominated by IFC to the boards of client-companies; (ii) annual commitments to FIs targeting women; and (iii) financing dedicated to women and women-led SMEs.

On doubling the share of women nominated by IFC to the boards of client-companies to 50% by FY30, IFC had already met the target in FY21.
On increasing the annual commitments to FIs targeting women (in USD billion), IFC has made steady progress throughout the assessment period, consistently surpassing targets.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>N/A</td>
<td>30%</td>
<td>35%</td>
<td>35%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Actual</td>
<td>26%</td>
<td>36%</td>
<td>44%</td>
<td>54%</td>
<td>62%</td>
<td></td>
</tr>
</tbody>
</table>

On financing dedicated to women and women-led SMEs (in USD billion), IFC has surpassed corporate targets in FY22.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>0.51</td>
<td>0.58</td>
<td>1.4</td>
</tr>
<tr>
<td>Actual</td>
<td>N/A</td>
<td>N/A</td>
<td>0.54</td>
<td>0.42</td>
<td>0.84</td>
<td></td>
</tr>
</tbody>
</table>

The WBG-CIP package stated that “IFC will also flag all projects with Gender components by 2020” and IEG also listed in its validation of the WBG-CIP that IFC’s target was to flag 100% of projects. It is important to clarify that 100% flagging does not mean that all projects have to have gender components; only that all projects are reviewed to determine whether they have gender components. IFC did not set targets for investment projects that are expected to have gender components, only for advisory projects. In line with these commitments, the number of investment projects that have been gender flagged has increased throughout the assessment period. The IFC Retrospective on the implementation of the World Bank Gender Strategy indicates that the proportion of gender flagged projects increased from 6% in FY19 to 33% in FY23.

For the percentage of AS projects targeting gender, IFC has made progress throughout the assessment period, more than doubling numbers at the beginning of the assessment period:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>N/A</td>
<td>N/A</td>
<td>32.5%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Actual</td>
<td>25%</td>
<td>36%</td>
<td>45%</td>
<td>42%</td>
<td>37%</td>
<td>43%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source for the above data: IFC Corporate Scorecard, various years (reported sometimes in IFC’s SBO, other times in IFC’s Budget Paper). Data provided by IFC’s Gender team.

In brief, IFC has demonstrated good progress toward its CIP Commitments pertaining to gender, which provide an important institutional incentive. Although these commitments have not been reported consistently in public information on the Corporate Scorecard throughout the assessment period, gender KPIs are monitored and reported internally on a quarterly basis, including through IFC’s Quarterly Operations Report to the Board.

Element 3: IFC’s accountability systems reflect gender indicators and targets but supervision and reporting has been inconsistent.

Gender has been integrated throughout IFC’s accountability systems. As noted above, the gender commitments of the Capital Package have been integrated in the Corporate Scorecard. The Gender Business Group (GBG) tracks a series of indicators related to gender commitments and reports to the managing director quarterly on these as well as with any interesting projects or lessons. In addition, the IFC operational
dashboard references gender data. (As of FY24 the Gender Team at IFC was changed from Gender Business Group to Gender and Economic Inclusion and in reflected this way from this point forward in the report).

There were also indicators in IFC’s Corporate Scorecard regarding its own staff, namely % of (technical: GF+) staff that are women (to increase from a baseline of 47% in FY18 to 50% by FY21) and % female managers (to increase from 41% in FY18 to 50% in FY21). To align with the WBG methodology in its scorecard (there it is called “Staff diversity index”), IFC now reports on a “gender balance index” as part of the Corporate Scorecard. The SBO represents an opportunity to take stock of the operationalization of gender policy directions.

The new methodology examines gender balance throughout the organisation looking at four different categories of staff at different levels, with each group expected to have a 50/50 gender balance. The index is a weighted composite that places greater weight on high-level technical staff and managers. Additionally, the corporate awards, which provide a monetary incentive and recognize individual and team achievements consistent with IFC’s strategic priorities, have prioritized nominations that include a gender component. (IEG, Midterm Review of the Gender Strategy, 2021) Currently, 40% of managers within IFC are female as are 45% of high-level technical staff. Women are overrepresented, however, among other grade groupings.

<table>
<thead>
<tr>
<th>Gender balance index</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year</td>
<td>FY20</td>
</tr>
<tr>
<td>Target</td>
<td>N/A</td>
</tr>
<tr>
<td>Actual</td>
<td>0.81</td>
</tr>
</tbody>
</table>

At the project level, beyond the gender flag (discussed in 2.1.2), gender is also incorporated into AIMM. The Gender and Economic Inclusion and Development Impact Groups collaborated to design inclusion-related indicators and guidance to identify how investments contribute to addressing gender gaps and identify related targets which are followed up as part of AIMM during implementation. A project that provides evidence of a substantial effect on gender gaps will receive a higher AIMM score, which is considered in review meetings and influences project selection. Stakeholders confirmed that an increased score in AIMM creates an incentive for projects to seek to close gender gaps. However, sector frameworks on the AIMM website explicitly incorporates gender for some sectors (SME, Agriculture, education, retail, tourism). To be considered as addressing gender through AIMM, a project must seek to address a gender gap, identify a baseline measurement and indicator. As part of AIMM portfolio monitoring, these indicators are followed-up throughout implementation.

IFC’s 2020-23 Implementation Plan for the Gender Strategy notes that, even with integration of gender into AIMM, challenges remain for monitoring gender impacts due to the absence of gender-disaggregated data at the market and sector level as well as from clients. For its own part, IFC monitors a range of gender-disaggregated indicators throughout its operations to demonstrate its reach and contribution to addressing gender gaps, with some of these data being reporting in Annual Reports. For IS projects, these include: (i) the percentage of women on boards and in senior management for IFC’s investments; (ii) proportion / number of female students reached; (iii) female employees; (iv) share and volume of micro and SME loans going to women-owned and led SMEs. For AS projects, these include: (i) number of female employees reached; (ii) number of SMEs and women business owners reporting improved knowledge and skills; (iii) female farmers reached; (iv) women users; and (v) number of women trained.

Gender is a cross-cutting topic which is addressed across multiple Performance Standards for managing Environmental and Social risk. Gender is anchored in IFC’s Sustainability Policy and in some of IFC’s Performance Standards (including PS1, PS2 and PS7). For example, regarding preventing sexual exploitation and abuse (SEA), IFC’s Performance Standard (PS) 2 (Labour and Working Conditions, 2012) notes that “The client will take measures to prevent and address harassment, intimidation, and/or exploitation, especially in regard to women.” In interviews, IFC stated that de facto it also applies such conditions in PS 4 (Community Health, Safety and Security). PS 7 (Indigenous Peoples, 2012) has a requirement that, where projects affect land use by indigenous peoples, the client has to carry out an assessment and specifies that
the assessment of land and natural resource use should be gender-inclusive and specifically consider women’s role in the management and use of these resources”.

Gender is not specifically reflected in PS 5 (Land Acquisition and Involuntary Resettlement, 2012), but in the guidance note for it, which notes “The resettlement process should consider women’s situations, adapting the engagement process as necessary to provide women a role in decision-making. Special effort should be made to identify women’s: (i) means of income generation and livelihoods, including non-formal activities such as gathering natural resources, trading and bartering services and wares; (ii) social and economic networks including extended family ties; and (iii) ownership of affected assets including land and crops to compensate owners appropriately.” (Guidance Note 5, 2012). Additional details on the implementation of these standards are provided in KPI 5. It is important to note that while performance standards are mandatory, guidance notes are not.

IFC also has its own roadmap that addresses gender-based violence and harassment (GBVH). The associated roadmap outlines key actions to be taken including the development of methodology to assess GBV risk, strengthening of operational processes to address GBV and development of guidance, knowledge products, and training materials. The GBVH roadmap is implemented through IFC’s Sustainability Framework under four pillars: (i) integrating prevention and response into project assessment and design; (ii) developing an enabling environment through commitments, capacity development and institutionalisation of tools and knowledge, including with clients; (iii) innovation, thought leadership and knowledge generation; and (iv) strategic engagement with advisory / upstream units to support innovation, advice and investment.

Finally, the WBG Gender Strategy underwent a mid-term review in 2021. The review was based on a theory of action and covered (i) commitment to achievement of the strategy’s objectives, (ii) country-driven approach and the opportunity to generate further synergies among projects, (iii) coordination of staff designated to support work on gender and support the use of evidence, (iv) how strong emphasis on commitments and project design overshadows efforts for monitoring and evaluation of implementation, and (v) conclusions and describes opportunities for the World Bank and IFC to maximize the remaining years of strategy implementation. As part of the Mid-term review, Management issued a response to the findings.

Element 4: IFC has committed to gender flagging for investment and advisory operations and the proportion of gender-flagged operations has increased over the assessment period. IFC also implements several standalone initiatives to address gender gaps.

As discussed above, the Operational commitment to gender equality is demonstrated through the introduction of gender flags (which identifying whether project design has analysed a gender gap, developed an activity to respond to the gap, and put gender gap indicators in results frameworks) and an increase in the percentage of projects flagged as of 2019. “Gender flags are self-assigned by IFC staff, with review, advice, support, and training, but not validation, from the GBG” (now called the “Gender and Economic Inclusion” Group). From: IEG: WBG Gender Strategy Mid-Term Review, 2021, in brief IEG Gender Strategy MTR). IEG noted opportunities to enhance quality assurance for the gender flag process, stating that "IFC could revisit the quality control processes of flagging, for example by reviewing a random sample of flagged projects to quantify the extent to which self-assigned flagging diverges from the guidance.”

IFC flags both investments and advisory services (AS). For investments, the flagging was voluntary in FY17 with guidance released in December 2018. As mentioned above, gender flagging increased from 6% of projects in FY19 to 33% in FY23. For AS, there was initially a corporate scorecard target of flagging 40% of AS. Although this indicator was dropped from the scorecard, stakeholders confirm that these indicators are tracked internally with regular reporting to management and the Board. Gender flagging of AS increased from 25% in FY16 to 57% in FY22, exceeding corporate targets. As discussed in element 2.1.3, integration of gender into AIMM scoring has provided an important incentive to address gender gaps in projects. However, the AIMM score itself considers many different factors and does not directly target the mainstreaming of gender into operations.

Finally, IFC has many initiatives and programs that support gender equality pursuant to its gender priorities of employment, entrepreneurship, disruptive technologies, corporate leadership, and insurance. Some
Examples include: Digital2Equal, Women on Boards and in Business Leadership Training Program, Women’s Employment Program, and the Tackling Childcare Initiative (see IFC Website: [IFC’s Work in Gender](#) and IEG Gender MTR 2021). However, aggregate reporting on advisory resources for gender was not available.

At the level of CPFs, inclusion of gender considerations is required (WB Operational Policy [BP4.20/OPI4.20](#)) for all WBG Country Partnership Frameworks (CPF s) and is supported through a separate gender analysis. Internal guidance indicates that gender considerations are also expected to be included in Country Private Sector Diagnostics (CPSDs) and Systematic Country Diagnostics (SCDs), which inform the identification of CPF priorities. A guidance note has been developed for including gender in CPSDs. Furthermore, IFC country strategies address progress against IFC’s CIP Commitments, including gender. A review of CPDSs for Senegal, Bangladesh, Kenya demonstrated clear coverage of gender gaps, particularly with respect to financial inclusion for MSMEs and women-owned businesses and labour market participation. A review of CPFs for these countries indicated a fair degree of alignment with IFC’s priorities and activities. However, IEG has noted challenges with the integration of gender into CPF results frameworks.

Whereas IFC Country Strategies take note of gender with respect to the development diagnostic and progress in achieving CIP Commitments there is no specific requirement to include gender considerations among strategic priorities, activities or private sector enabling reforms.

**Element 5: IFC has identified the human and financial resources are to address gender equality issues, but according to IEG it appears that the resources are stretched, particularly for implementation and in part diverted to gender flagging, as opposed to focusing on supervision and monitoring and improving gender outcomes.**

According to the Gender Strategy, the Gender and Economic Inclusion Group (GEIG) plays a role in the coordination and implementation of the strategy. This is corroborated by the Gender Strategy-MTR, which cites that the Gender and Economic Inclusion Group helps “by developing and testing new advisory products; co-creating thought leadership in the market with clients and operations; and providing direct technical expertise and advice to operational colleagues on how gender components can be integrated into their projects, diagnostics, and strategies.” It is important to note that this MTR covers both World Bank and IFC. Where possible, IFC-specific information has been provided.

The Gender strategy notes a commitment “to providing the resources necessary for implementation of the strategy through processes such as the multiyear W process”. The Gender Strategy-MTR notes that “at the outset of the gender strategy in 2016, IFC decentralized and fully resourced all six Regions (and certain countries) with full-time regional gender leads managed by the Gender and Economic Inclusion Group”.

IFC’s work on gender is financed by three sources: (i) client fees (for advice and joint research), which support the scaling up of products and services; (ii) IFC’s own core funding, which supports gender mainstreaming and gender-specific investment; and (iii) funding from development partners (e.g., sovereigns and private philanthropies) to deploy blended finance, advisory, and upstream services.

The Umbrella Facility for Gender Equality (UFGE) also contributes financial resources to gender work with the aim to “maximize returns on investments by promoting “gender-smart” approaches in country-level policy dialogue, investment and lending, technical assistance, and advisory services”. Other initiatives noted by IFC’s Retrospective on Implementation of the Gender Strategy include the We-Fi initiative, involving 62 partner institutions and companies in 39 countries. The initiative has mobilised USD 1.3 billion in private and public investment from USD 35.7 million in commitments.

Stakeholders noted, there are currently over 30 gender specialists in IFC in the with 20 of them based in country or regional offices, supported by about 10 in industry departments. The number of staff in the Gender and Economic Inclusion Group has increased over the course of the assessment period from 24 staff in FY19 to 31 staff in FY22. They are supported by an additional 10 gender specialists located within each industry department. The GEIG focuses on making the business case for women, implementing advisory services and also developing global and country-specific partnerships. These dedicated gender
experts/specialists support staff in their respective industries on how to integrate gender into the projects, engagements, and strategies. IFC’s group of focal points has both gender and industry expertise.

IEG found that the “the gender flag and tag have generated attention and accountability” but at the same time “The focus on the quality of project design and corporate reporting leaves fewer resources for monitoring implementation.” (IEG Gender MTR, 2021). It is important to note, however, that the MTR focuses on both the WB and IFC and that these challenges were not identified by gender staff within IFC.

**Element 6: IFC staff have access to training on gender and have access to staff with expertise on gender equality. However, training is not mandatory.**

Evidence from the Mid-term Review of the Gender Strategy indicates that IFC could “provide additional training and support to investment officers to assist with the development of client demand”. The Gender Strategy results chain shows three activities related to training: the development of new training modules, development of IFC e-learning courses on closing gender gaps and business benefits, and IFC hosting regular face-to-face training courses on closing gaps between men and women in specific sectors, each of which have targets for end-FY16, FY17 and FY22.

Stakeholders confirmed that a number of exercises to train teams have been developed; however, they are not mandatory. These trainings include gender flag training, for which the gender team had conducted 40 (each with around 20-40 participants) training events across regions and sectors over the course of about two fiscal years.

**MI 2.1 Evidence confidence**

**MI 2.2: Corporate/sectoral and country strategies respond to and/or reflect the intended results of normative frameworks for environmental sustainability and climate change.**

<table>
<thead>
<tr>
<th>Overall MI rating</th>
<th>MI 2.2 Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI score</td>
<td>Score</td>
</tr>
<tr>
<td>Element 1: The MO has dedicated policy statements on climate change that are available with evidence of application.</td>
<td>4</td>
</tr>
<tr>
<td>Element 2: The MO has climate change-related indicators and targets that are fully integrated into its strategic vision and corporate objectives.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: The MO’s accountability systems (including corporate reporting and evaluation) reflect climate change-related indicators and targets.</td>
<td>3</td>
</tr>
<tr>
<td>Element 4: The MO applies climate change screening checklists or similar tools to inform the design for all new investments and other operations.</td>
<td>4</td>
</tr>
<tr>
<td>Element 5: The MO has identified human and financial resources to address climate change-related objectives.</td>
<td>4</td>
</tr>
<tr>
<td>Element 6: The MO’s staff are trained on and/or have access to staff with expertise on climate change.</td>
<td>4</td>
</tr>
</tbody>
</table>

**MI 2.2 Analysis**

**Element 1: Dedicated policy statements on climate change are available and have been operationalised.**

Climate change has been established as a strategic concern for IFC through the commitments made in the Capital Increase Package of 2018. The past three SBOs have underscored climate change as a key strategic priority of the organization. IFC climate work centres on 6 priority areas: energy; agriculture, food, water and land; cities; transport; manufacturing; and finance.

The WBG’s commitment is part of a broader Multilateral Development Bank (MDB) vision to align all financial flows with the objectives of the Paris Agreement. This vision is reflected in the MDB joint declaration on Paris Alignment, supported by the Bank Group and eight other MDBs. The Bank Group’s Paris Alignment approach recognizes that countries have differentiated circumstances in implementing the Paris Agreement. As such, our Paris Alignment assessments will be operation-, context-, and time-specific, and
for a given set of development objectives. All WBG-financed operations have to support the deployment of lower-carbon options as applicable, whenever technically and economically feasible; prevent carbon lock-in; and ensure material climate risks have been assessed and reduced to an acceptable level through the design of a project. IFC has committed IFC to align 85% of new financial flows starting July 1, 2023, and 100% starting July 1, 2025 and reports that it is “on track” to achieve that goal (IFC Paris Alignment website).

IFC’s work in climate is operationalised through the WBG Climate Change Action Plan 21-25 (CCAP), which aims to “advance green, resilient, and inclusive development by enhancing support for WBG clients to integrate climate into their development strategies.” The CCAP is guided by three fundamental principles that drive the WBG’s work across all sectors: (i) people must benefit from the transition to a low-carbon and resilient future; (ii) natural capital is critical to address climate change; and (iii) partners are crucial for success. Country engagement guidance stipulates that CPFs should include a discussion of climate change issues including addressing risks in policies, programs and projects and accounting for the impact of projects on the global climate through greenhouse gas emissions and short-lived climate pollutants. Climate, and specifically a green recovery, has been established as a key focus of the COVID Response.

That action plan was preceded by the CCAP 2016-2020, which focused on supporting borrower countries in implementing transformational policies that mainstream climate considerations into national policies and macroeconomic frameworks, supporting low-carbon development and supporting the delivery of Nationally Determined Contributions (NDCs). The CCAP targets scaling-up climate co-benefits of the World Bank’s operations across multiple sectors and crowding in climate finance, with support provided through a range of blended finance instruments. Achievements under the CCAP 2016-2020 included, in the case of IFC, adding 8 GW of renewable energy generation and integration capacity, diversifying its support for climate financing (e.g., investments for energy efficiency and climate risk mitigation and adaptation), issuing more than USD 6.6 billion in green bonds and advancing certification programs and increasing investments for green buildings and contributed to “greening” the financial sector through investments in FiIs and through the Sustainable Banking Network (CCAP 2021-2025).

The WBG Capital Increase Package commitment to scale up climate financing was accompanied by targets, including (i) increasing climate investments to 35% of (long-term) commitments by 2030 and reaching an average of 32% between FY20 and FY30; (ii) screening all operations for climate risk, and (iii) incorporating the shadow price of carbon in economic analysis for investment operations in key emission producing sectors. The action plan commits to further targets of achieving an average of 35% of climate finance for the entire WBG over the five years of 2021–2025.

The MOPAN Survey indicated that 82% of stakeholders respond favourably to the statement “IFC promotes investment in climate business and climate-friendly projects”, while 8% responded unfavourably and 10% indicated they didn’t know.

Q3[02] IFC promotes investment in climate business and climate-friendly projects [ in COUNTRY].

Element 2: Environmental Sustainability and Climate Change are integrated into corporate objectives and reporting.
Environmental sustainability and climate change indicators and targets are integrated into IFC’s strategic plan and corporate objectives. The most prominent indicator has been the percentage of IFC’s LTF commitments devoted to climate, with targets having been met consistently or exceeded.

Shareholder commitments to climate change are present in the most recent capital increase package (CIP), accompanied by targets. Progress towards CIP commitments is reported through the Corporate Scorecard. IFC has also played a key role in advancing standards for measurement (e.g., developing common principles for climate mitigation finance tracking with other Development Finance Institutions (DFIs).

Percent of own-account LTF commitments targeting climate

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
<th>21</th>
<th>22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>26%</td>
<td>20%</td>
<td>22%</td>
<td>22%</td>
<td>28%</td>
<td>28%</td>
<td>30%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Source: IFC’s Scorecard reporting (Various SBOs and budget papers FY17-22) and IFC’s Annual Report FY22.

Prior to and at the beginning of the review period, IFC also reported on expected GHG emission reductions of the new business it financed in a year. This indicator was not reported in FY22 for direct lending operations, but about 75% of FI clients reported on estimated emissions reductions. In FY21, IFC reported emissions reductions of 12 million tons of carbon dioxide equivalent and in FY22, IFC reported emissions reductions of 19.5 million tCO2eq/y due to climate lending to financial intermediaries.

IFC reports regularly to the Board on its climate commitments in the Capital Increase Implementation Reports. The latest update on the IBRD Capital Package and Forward Look implementation (2022) notes progress achieved for other commitments as well, including:

- 100% of projects being screened for climate risk (discussed further in element 2.2.4, below);
- 100% of operations in key emissions sectors incorporating a shadow price of carbon in economic analyses; and
- GHG accounting for 100% of projects where direct and indirect emissions exceed 25,000 tCO2eq/year and annual disclosure of GHG reductions linked to IFC projects.

Data for the WBG’s ex-ante contributions to emissions reductions are reported in the WBG Corporate Scorecard; however, although tracked internally, data are not reported separately for IFC.

WBG GHG emission reductions (million tCO2 eq./year)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>19</th>
<th>20</th>
<th>21</th>
<th>22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Actual</td>
<td>96</td>
<td>133</td>
<td>158</td>
<td>194</td>
</tr>
</tbody>
</table>

Source: WBG Corporate Scorecard.
Note: Greenhouse Gas (GHG) emission reductions (tCO2eq/year).

The World Bank’s, IFC’s, and MIGA’s aggregate GHG emission reductions for projects that apply GHG accounting. The World Bank’s contribution relates to project net GHG emissions calculated as an annual average of the difference between project gross (absolute) emissions aggregated over the economic lifetime of the project and the emissions of a baseline (counterfactual) scenario aggregated over the same time horizon. Only projects that are estimated to reduce emissions are included. IFC’s and MIGA’s contribution relates to the aggregate annual GHG emission reductions calculated for mitigation projects.

Element 3: Beyond corporate reporting through the corporate scorecard and GHG accounting, IFC incorporates climate change into other accountability systems through AIMM and the Sustainability Framework.
At the project-level, IFC’s AIMM incorporates resilience and sustainability along the market outcome dimension and environmental effects along the project outcome dimension. Climate change considerations are incorporated into sector frameworks, which provide an analytical frame to facilitate judgements of a project’s expected outcomes and contribution to market creation. Sector frameworks have been designed in collaboration with the Climate Business Department (CBD). These frameworks articulate IFC’s development impact thesis for different sectors and identify benchmarks and rating conventions. A review of sector frameworks and feedback from stakeholders confirmed that climate change considerations are considered through AIMM across sectors. Climate change is and environmental effects are considered as part of project outcome ratings and are monitored throughout implementation, but IFC is not yet able to aggregate these data.

IFC’s corporate commitments to address climate change are integrated into IFC’s Sustainability Framework. The Sustainability Framework identifies climate change as a cross-cutting topic which is addressed across multiple performance standards. Including PS4 (Community Health, Safety and Security) and PS6 (Biodiversity, Conservation and Sustainable Management of Living Natural Resources. Environmental and social (E&S) performance is covered in IFC’s appraisal, supervision and evaluation framework. PS1 (Assessment and Management of Environmental and Social Risks and Impacts) requires clients to consider in their greenhouse gases emissions, risks associated with a changing climate, and the adaptation opportunities in their risks and impacts identification process. PS3 (Resource Efficiency and Pollution Prevention) commits IFC to consider ways to implement technically feasible, financially feasible, and cost-effective alternatives that reduce project related GHG emissions during the design and operation of a project. As is described elsewhere in this report, E&S risk ratings (ESRRs) are continuously monitored and have consistently improved during the review period (see also 5.4.5). E&S ratings in project evaluations have improved at the beginning of the review period, with a small decline in recent years (see also 9.1.3).

A gap in IFC’s accountability systems around climate is the fact that there has not been a formal evaluation of the climate action plan or overall WBG climate work, conducted by IEG.

**Element 4:** IFC screens all operations for climate risk and has committed to ensure all operations are aligned with the Paris Agreement by FY25 (and 85% by FY23). A number of programmes and tools are applied to ensure operations integrate climate change considerations and are Paris aligned.

IFC integrates climate change considerations into its operations through a variety of mechanisms, including AIMM, climate risk screening, GHG accounting, Paris alignment, greening equity investments and advisory and thought leadership. For CPFs and country strategies, mainstreaming of climate considerations is supported by core analytical products and existing templates require explicit consideration of climate issues.

**Addressing climate through AIMM:**

Climate work at IFC centres on 6 priority areas: energy; agriculture, food, water and land; cities; transport; manufacturing; and finance. AIMM Sector Frameworks (explained above)) for energy, agribusiness, water and wastewater and roads, manufacturing all include references to climate, which is considered in the AIMM model. Coverage of climate is uneven such that, for Finance, there is more limited reference in the framework for SME-support (only for climate SME projects), and housing.

**Climate Risk Screening:**

Interviews and the 2022 IBRD-IFC Capital Package and Forward Look confirmed that the climate team screens all deals for climate risk. IFC has developed – albeit prior to the review period a tool “Climate Risk and Business: Practical Methods for Assessing Risk (2010)” and published an “Index Assessment Framework: Enabling Environment for Private Sector Adaptation (2013)”.

**Paris Alignment:**

The CCAP highlights that starting July 1, 2023, all new operations are to be Paris aligned (starting with 85% in 2023 and moving to 100% in 2025). An IFC investment is considered aligned when it actively contributes to decarbonization pathways (e.g., renewable energy) or supports activities that do no harm (e.g., water
supply systems that are not emissions intensive); and On climate adaptation and resilience, it manages physical climate change risks effectively, with measures such as drought-resistant crops or setting up early warning systems. Stakeholders within IFC confirmed that compliance actions have not been formalised yet but are being put in place and that IFC is on track to meet its commitments in this area.

**Greening Equity Investments:**

In FY19, IFC launched its approach to Greening Equity Investments in Financial Sector Institutions, which helps client FIs increase climate-related lending while reducing exposure to coal to zero or near zero. IFC already excludes coal-related investment from its loan and risk-sharing facilities with FIs; however, such ring-fencing is not possible for equity and equity-like investments. IFC’s approach allows for IFC to continue engaging with FIs that finance coal, but with a transparent framework and declining limits in line with the Paris Agreement. For existing clients, IFC works with them to reduce exposure to coal-related projects. IFC no longer makes equity investments in FIs that do not have a plan to phase out investments in coal-related activities. Phase 1 of this approach was rolled out in FY19, applied to equity and sub-debt investments in commercial banks and non-bank FIs with coal exposures as well as through the Distressed Assets Recovery Programme (DARP). In FY20, the approach was expanded to insurance companies. IFC requires its FI clients to publicly disclose their aggregated exposure to coal-related projects in their annual reports.

**Advisory Work and Thought Leadership:**

With respect to equity investments in FIs, IFC has contributed to the development of a Global Coal Exit List (GCEL) to equip client FIs with tools needed to identify coal exposures in their portfolios.

IFC's 30 by 30 zero programme helps banking sector clients increase climate-related lending, aiming to reach 30% by 2030. In addition to providing advice to FIs, the programme intervenes at the regulatory, market and policy level to help policy makers identify opportunities and strengthen oversight. IFC's advisory clients in the financial sector have provided USD 26.2 billion in financing for climate-related projects in emerging markets.

On Green Buildings, IFC published a “A Finance and Policy Blueprint for Emerging Markets (2019)”, focused on understanding and building the market for green buildings. IFC works in particular through financial institutions, helping them to scale up business in green mortgages and green construction finance.

**Mainstreaming climate into CPFs and IFC Country Strategies:**

At the Country level, climate change considerations are mainstreamed into CPFs through core analytical products such as the Country Climate and Development Report (CCDR) and CPSD. Gender is also integrated into IFC Country Strategies.

The CCDR has been developed to: (i) enhance climate analysis and policy in WBG programs; (ii) identify and prioritize opportunities for climate action; and (iii) to capture synergies between a country’s national climate commitments and development objectives. Several high-level management workshops were held with WBG staff to ensure sufficient coordination with respect to the CCDRs and their operationalisation. The CCDR is expected to feed into the systematic country diagnostic (SCD) and CPF. 26 countries were covered by CCDRs as of May 2023; however, it is too early to assess their integration into CPFs. CPF guidance states that the results matrix should indicate climate change related indicators.

CPSD guidance indicates that climate is also meant to be integrated into the Country Private Sector Diagnostics (CPSD). Interviews revealed that the climate team at HQ previously had little interaction with teams producing the CPSSDs; however, climate economists have recently been identified in the regions to help engage more closely in this area. IFC country strategies now consider climate change as part of the development diagnostic. Climate change is also considered with respect to progress against CIP Commitments and the strategic framework, for which one slide is devoted to identifying climate business opportunities. Other sources of guidance include the climate methodology note for CPSSDs. A review of IFC Country Strategies Kenya, Serbia and Senegal indicate that climate is consistently mainstreamed into different strategic areas, including renewable energy, green housing, tourism and waste management.
**Element 5: Sufficient human and financial resources appear available in IFC to address environmental sustainability and climate change issues, and IFC budgets have allocated more resources when needed.**

Interviews indicated that the IFC climate team has nearly 60 staff members at HQ and a climate anchor network of almost 20 staff members in the country offices, which allows for knowledge-sharing across regions. Official HR data indicates that the climate team has grown over time from 44 staff in FY18 to 58 in FY23.

IFC’s FY23 Budget notes that “additional skill sets will be needed to scale up climate finance and ensure alignment with the Paris Agreement”. Interviews confirmed that the climate team would benefit from additional staff, especially at HQ as recent additions to headcount had been for country offices with only a dotted line to the central climate team. There is evidence of focal points related to climate finance and blue finance in the Financial Institutions Group. There is further evidence of focal points/teams related to Blended Finance for Climate and Climate Finance Innovation and Carbon.

IFC’s FY22 Budget highlights additional resources were needed to finance the implementation of the CCAP 21-25. External funding from development partners has consistently enhanced the delivery of advisory work, including on climate. See Element 4 for more detail.

IFC also supports climate-related investments through its blended finance and bond programmes. For blended finance, IFC has a large number of programs supporting climate. In terms of multilateral facilities, IFC works with the Climate Investment Funds (mainly the Clean Technology Fund), the Global Environmental Facility (particularly the IFC-GEF Green Shipping Investment Platform) and the Green Climate Fund. In terms of bilateral facilities, IFC lists the IFC-BMWK Climate Facility (Germany), IFC-Rockefeller Partnership, IFC-Canada Climate Change Program, Canada-IFC Renewable Energy for Africa Program, Canada-IFC Blended Climate Finance Program, Finland-IFC Blended Finance for Climate Program, and the UK-IFC Market Accelerator for Green Construction Program. More detail about these facilities can be found on IFC Blended Finance-Climate website.

For green bonds, IFC updated a “Green Bond Framework” (December 2022), which aligns with the Green Bond Principles by the International Capital Markets Association (ICMA). The Framework was also subject to an External Review in 2022, which found it to be “Medium Green” and “Excellent” in its governance arrangements. The Review considered as strengths IFC’s incorporation of biodiversity and ocean and water categories, more robust climate adaptation selection and financing for research, tools and technologies; the robust project selection process; and its ambitious climate goals. It also reports that some areas could be strengthened (e.g., overlapping project categories; clarification and strengthening of definitions and thresholds; considering more fully lifecycle emissions; robust testing of new technologies; strengthening impact reporting, in particular prorating outcomes based on IFC’s share). As of June 30th, 2023, IFC has issued 198 bonds and taps, raising USD 12.6 billion (albeit some of that prior to the review period, since it launched the program in 2010).

On “Blue Finance” (protecting oceans and water resources, e.g., through water and wastewater management, reducing ocean plastic pollution, marine ecosystem restoration, sustainable shipping, eco-friendly tourism or offshore renewable energy), IFC reports that since 2020 it has provided more than USD 1 billion in blue loans and bonds and has issued Guidelines for Blue Finance (2022).

**Element 6: Staff capacity development on environmental sustainability and climate change is being developed.**

The CCAP indicates that WBG has developed guidance and training at the sector level with regards to meeting Paris Alignment commitments. Climate change training has been mainstreamed into the compulsory onboarding training for new staff.

Currently, there are 400+ climate-related trainings and webinars for both internal and external audiences, of which the climate team tracks the attendance of (around 2,000 cumulative attendees at the time of our interviews). They are currently working to develop a more formalized training. In FY22, 312 internal and external stakeholders received climate training targets to different sectors, including through the Green
Banking Academy, a knowledge platform providing specialised training programmes and tailored advisory services to help banks speed up their green transformation.

**MI 2.2 Evidence confidence**

| Score | Medium Confidence |

**MI 2.3: The MO’s corporate/sectoral and country strategies respond to and/or reflect the intended results of global commitments for investment in Fragile and Conflict-Affected States (FCS).**

<table>
<thead>
<tr>
<th>Overall MI rating</th>
<th>Satisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI score</td>
<td>3.50</td>
</tr>
</tbody>
</table>

**Element 1:** The MO has a dedicated policy statement on FCS available with evidence of application.

**Score:** 4

**Element 2:** The MO has FCS indicators and targets fully integrated into its strategic vision and corporate objectives.

**Score:** 3

**Element 3:** The MO’s accountability systems (including corporate reporting and evaluation) reflect investment in FCS.

**Score:** 3

**Element 4:** The MO applies screening checklists or similar tools inform design for new investments and other operations in relevant contexts.

**Score:** 3

**Element 5:** The MO has identified human and financial resources to support investment in FCS.

**Score:** 4

**Element 6:** The MO’s staff are trained on and/or have access to staff with expertise on fragility and conflict.

**Score:** 4

**Element 1:** Work in countries affected by fragility, conflict and violence (FCV) is emphasised in the Forward Look and is further supported by IFC's CIP commitments. The WBG has a dedicated strategy for Fragility, Conflict and Violence (FCV).

The Forward Look emphasizes the importance of work in countries affected by fragility, conflict and violence (FCV), noting the need for IFC to step up efforts in IDA and FCV environments. This is further enshrined in the IBRD-IFC Capital Increase Package of 2018, which established scaling up support for FCV situations as a corporate priority for IFC, with a target established to increase the share of annual commitments in IDA and FCS countries to 40% by FY30 and to 32.5% from FY19-FY30. In volume terms, IFC intended to deliver USD 135 billion in own account and mobilisation between FY19 and FY30 and catalyse USD 270 billion in private sector investment in IDA and FCS countries. Investments in low-income (LIC) IDA and FCS countries were to increase to 15-18% by FY26 and 15-20% by FY30, utilizing in particular the IDA PSW. FCS is further at the centre of the IFC 3.0 strategy.

This commitment was translated into the 2020-2025 FCV strategy centred around 4 pillars: (i) Preventing violent conflict and interpersonal violence by addressing the drivers of fragility and immediate- to long-term risks—such as climate change, demographic shocks, gender inequality, patterns of discrimination, economic and social exclusion, and perceptions of grievances and injustice—and strengthening the sources of resilience and peace before tensions turn into full blown crises; (ii) Remaining engaged during conflict and crisis situations to preserve hard-won development gains, protect essential institutions, build resilience, and be ready for future recovery; (iii) Helping countries transition out of fragility, by promoting approaches that can renew the social contract between citizens and the state, foster a healthy local private sector, and strengthen the legitimacy and capacity of core institutions; and (iv) Mitigating the spill overs of FCV to support countries and the most vulnerable and marginalized communities that are impacted by cross-border crises, such as forced displacement or shocks resulting from famines, pandemics, and climate and environmental challenges.

The strategy places special emphasis on six high-priority issues in FCV settings: (i) investing in human capital; (ii) supporting macroeconomic stability and debt sustainability; (iii) creating jobs and economic opportunities; (iv) building community resilience and preparedness, especially regarding the impacts of climate change and environmental degradation; (v) engaging on justice and the rule of law; and (vi) 44, 72, 73, 98, 119, 134, 139, 154, 158, 160, 172, 182, 185, 190, 191, 200, 211, 227, 268, 305, 359, 362, 391, 406, 409, 410, 425, 429
developing approaches to dealing with the security sector within the WBG’s mandate and comparative advantage.

The strategy is operationalised through 23 measures to support its effectiveness in FCV situations, with targets and timelines associated with each measure. Particularly relevant for IFC were “pursuing public and private sector solutions to help create jobs, deliver services, foster social cohesion, and promote inclusive economic growth”, in particular with its “creating markets” strategy, a “calibrated response to risk that ensures full compliance with WBG safeguards” through a proactive approach to manage environmental, social and governance (ESG) risk; and “a tailored financing architecture” in part using the IDA-PSW to mitigate financial risks. The measures also included a human resource component (elaborated in IFC’s FY20-22 SBO: Aligning Human Resources with Strategy through Workforce Planning, which included “strengthen regional and country capacity and realign staff towards priority regions, primarily IDA countries and FCS”).

The FCV Strategy also identified opportunities to “Simplify and streamline IFC processes to more nimbly address FCV challenges, including streamlining the processing of small loans”, “Scale up IFC’s special advisory funding and implementation facilities, including IFC’s Creating Markets Advisory Window, FCS Africa, and an expanded Environmental, Social and Governance (ESG) advisory program, to increase support for market development and capacity building; and address FCV needs in MICs not covered by current facilities.” and “Leverage World Bank staff in countries where IFC lacks on-the-ground presence by providing training and support to World Bank managers and staff who fulfil IFC functions in these contexts.”

IFC has adjusted its business model to increase its impact in FCS countries through using a differentiated approach, increased upstream engagement, enhancing inclusion and conflict sensitivity, collaboration with the WBG (cascade), scaling up blended finance solutions, streamlining, and the use of country pilots (SBO FY21-23). Fragility was identified as a priority of the COVID response and has been clearly identified as part of the green, resilient, and inclusive recovery (SBO FY22-24 and FY23-25).

Fragility considerations are incorporated into the WBG Gender Strategy. CPFs in FCS countries are intended to outline how the WBG program addresses drivers of FCV and sources of resilience as relevant to the country context.

Overall, 67% of MOPAN survey respondents responded favourably to the statement “IFC provides solutions to support private sector development in a manner that is appropriate for fragile and conflict-affected states. Almost 26% of shareholders somewhat disagreed with the statement. 20% of respondents indicated that they did not know.

Element 2: IFC’s corporate commitments pertaining to FCV are expressed through FCS-specific indicators and targets in IFC’s Corporate Scorecard. These include specific targets for IDA and, as of FY19, LIC countries.
Fragility is reflected in IFC’s 2018 CIP commitments to shareholders (see Element 1 re. targets). Specific commitments include scaling up efforts to support FCV situations and strengthening the partnership between the WB and IFC in the development of a coordinated FCV strategy.

IFC policy commitments have been incorporated into its Corporate Scorecard. At the outset of the assessment period, indicators centred upon the number of LTF projects and number of active trade accounts. This indicator was subsequently changed following revision of the scorecard in line with IFC 3.0. Up to FY18, data indicated that investments in FCS by count were increasing.

Number of LTF own account projects in FCS-Countries

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of projects</td>
<td>39</td>
<td>31</td>
<td>38</td>
<td>22</td>
<td>40</td>
<td>32</td>
<td>44</td>
</tr>
</tbody>
</table>

In FY18, the scorecard was updated to better reflect IFC 3.0 (see MI 1.2, above). The current scorecard looks at IDA-17 and FCS as a percentage of total LTF own account commitments and IDA17 FCS & IDA17 LIC as a percentage of LTF own account commitments.

IFC’s CIP Commitments with respect to FCS include:

- Expand commitments in IDA and FCS countries to reach up to 40% of all IFC own account commitments by FY30, averaging 32.5% over FY19-30; and
- Utilise PSW resources to increase the share of IFC commitments in IDA-LIC and IDA- FCS countries to 15-18% and 15-20% of all commitments by FY26 and FY30 respectively.

The 2022 IBRD-IFC Forward Look and Capital Increase Update identifies that, while progress has been made, there is still room for growth before these commitments are achieved. Own account commitments in IDA17 and FCS countries stood at 28% in FY22, with an average of 25% between FY18 and 22.

IFC has expanded investments in LICs and FCS, with particular progress in Africa. This includes increasing the overall number of investments as well as the number of countries where IFC invests. In FY19, IFC invested in 25 countries (5 FCS) across 74 transactions, while in FY23, IFC invested in 40 countries (10 FCS) across 104 transactions, including in countries where IFC had previously been less active such as Algeria, Cabo Verde, Chad, Congo, Eswatini, Gambia, Lesotho, Niger, and South Sudan. Furthermore, IFC has also expanded its field presence in Africa from 22 countries in 2018 to 34 countries in 2023, including small, IDB/FCS countries such as Botswana, Burundi, Cabo Verde, Gabon and Mauritania.

Figure 5 illustrates that investment volumes in FCS have fluctuated over the assessment period but are on an upward trajectory – IFC’s results in FCS is discussed further in KPI 9. Of note, this figure includes only commitments in FCS countries, not FCS and IDA countries.

**Figure 5. IFC Investments in FCS: Volume**

Source: Annual Reports FY17-22
The issue of how commitments in FCS are monitored has been debated, most recently in response to IEG’s 2022 FCS Evaluation, which identified that IFC “should identify and agree to FCS-specific targets in their corporate scorecards to focus their efforts and track progress in implementing the Bank Group FCV strategy for the private sector.” Stakeholders indicated that this decision had been negotiated with the Board given the high degree of overlap between LIC and FCS, with many non-FCS LICs only recently emerging from fragility, and the similar challenges associated with promoting private investment in these countries. However, separate indicators for FCS only are still being tracked internally, as demonstrated above.

Element 3: IFC’s accountability systems reflect investments in FCS, including the Corporate Scorecard, CIP commitments, AIMM and IFC’s Sustainability Framework.

At the level of the WBG Corporate Scorecard, IFC Development Outcome Tracking contributes to Tier 2 indicators (e.g., People with enhanced access to transportation services (million); however, IFC’s contributions are not separately identified. As identified above, IFC’s Corporate Scorecard reports on: (i) IDA-17 and FCS as a percentage of total LTF own account commitments; and (ii) IDA17 FCS & IDA17 LIC as a percentage of LTF own account commitments. Furthermore, as part of its CIP commitments, IFC also tracks utilisation of PSW resources as a share of IFC commitments in IDA LIC and IDA FCS (described in further detail above).

Progress on implementation of the FCV strategy is to be monitored and reported on to the WBG’s Board. Likewise, there was to be stocktaking through annual updates to the WBG Board, a mid-term review on the operationalization of the strategy by the end of 2022, and a review to be conducted by the Independent Evaluation Group (IEG) by 2024. Although the mid—term review of the operationalization of the FCV envelope has taken place (completed September 2021), there is very little included that focuses on IFC, in part because of IEG’s 2022 Evaluation of IFC and MIGA’s Support for Private Investment in FCS, FY2010-2021. IEG validations of IFC’s Expanded Supervision Reports (XPSRs) and Results and Performance (RAP) Reporting presents disaggregated information about IFC’s performance in FCS (see KPI 9, below).

The Anticipated Impact Measurement and Monitoring (AIMM) system is likewise intended to incorporate an FCV lens by assigning, where appropriate, very large gap assessments in FCS countries, where data may not be available. “To perform the gap analysis, market deficits or development challenges are benchmarked across all emerging markets … This allows comparisons between, and within, emerging market countries that are primarily developing countries (low- and middle-income countries). This benchmarking exercise helps to better highlight differences between countries with difficult market environments such as countries that are … IDA/FCS. In other words, it is expected that the benchmarking exercise will display higher gaps and challenges in countries that are IDA/FCS, and therefore demonstrate a higher potential for development impact, than is the case in more advanced developing countries” (AIMM General Guidance Note).

Element 4: IFC applies screening checklists and a “Fragility Lens” to inform design for new investments.

IFC’s special initiatives – like CASA – have helped to inform such checklists and blended finance facilities also help reduce risks.

In 2019, IFC published a study on “Generating Private Investment in Fragile and Conflict-Affected Areas”, in which it describes the main methods and tools IFC uses to engage in FCS, such as special advisory facilities, mobilizing other actors and sharing risk through blended finance, using capable financial intermediaries (FIs), as well as its strategies, operational systems and performance standards. Among the important aspects of the investment process are:

(i) early engagement on critical fragility issues such as integrity due diligence, E&S issues, conflict analysis; and carrying out governance, macro, and security assessments (discussed in 2.3.3, above;)
(ii) extensive project preparation work, including addressing policy issues, and building government and private sector capacity;
(iii) special efforts to identify viable sponsors (investors and firms) and bring in new ones; and
(iv) recognizing the greater need to use blended finance.
Some of the means through which IFC mainstreams fragility considerations into CPF and IFC Country Strategies, standalone initiatives and IFC’s fragility lens for operations are described below.

**CPFs and IFC Country Strategies:**

The Systematic Country Diagnostic (SCD) and CPF for FCS countries contain an analysis of the drivers of fragility and a discussion of how the program will address these drivers, respectively. As part of the operationalisation of the WBG FCV strategy, stronger monitoring and evaluation systems are cited as a crucial aspect to better understand the drivers of FCV and contribute to more reliable data on FCV settings. Furthermore, CPSDs are intended to apply an FCV lens in their assessment of priorities for private sector development and policy dialogue, which are to be reflected in the country strategies. Considerations for how programmes will address fragility are integrated into the CPF, and corresponding results framework.

**Standalone initiatives:**

IFC has implemented a number of standalone initiatives over the assessment period to help scale up investment in FCS through advice, intelligence and creating an enabling environment for investment. These include:

- **The CASA Initiative**: Launched by IFC in 2008, and supported by several donors, CASA funds IFC-AS projects in FCS (13 countries in Africa), provides market intelligence and advice and helps governments strengthen their business environment. CASA ended in 2021. CASA was a donor-funded, IFC-implemented platform that supports IFC’s advisory projects across 13 African countries. It has facilitated investment climate reforms; advised close to 3,000 companies, government agencies, and other entities; has supported over 115,000 farmers; and helped mobilize investments of more than USD 942.4 million into FCS markets. The CASA Initiative has supported the growth of IFC’s footprint and broader private sector development activities in FCS countries through three key pillars: funding IFC advisory services projects, provision of operational support in the field to AS projects and investment operations, and knowledge management.

- **IFC’s FCS Africa Program**, which build on CASA, includes the “Africa Fragility Initiative” (AFI), a USD 74 million, five-year program supporting “responsible private sector-led growth and job creation across 32 African countries affected by fragility and conflict”, operating out of five sub-regional platforms. It also includes the East Africa Refugee and Host Community Program, in turn consisting of the Kakuma Kalobeyei Challenge Fund (KKCF, a five-year program to support and incentivize private investment in a refugee-hosting area) and the PROSPECTS Partnership (with ILO, UNHCR, UNICEF and the World Bank, supported by the Netherlands) to improve coordination between humanitarian and development actors and ultimately outcomes for refugees and host communities.

- **Joint Initiative on Creating Markets in Forced Displacement Context**, a joint initiative by IFC and UNHCR, which aims to mobilize private sector projects over the next five years to demonstrate the viability of investments in forced displacement contexts. The initiative promotes knowledge sharing to facilitate the engagement of private sector stakeholders in refugee-hosting areas and taps into private sector expertise, financing, and innovation to improve the quality of life for those forcibly displaced and their hosts, including through job creation, better and affordable services, financing infrastructure, and much-needed capital for small and medium enterprises.

**Mainstreaming in Operations through a “fragility lens”:**

The CASA programme was particularly important for contributing to the development of IFC’s fragility lens. For each project where the fragility lens is applied, the following questions must be answered during the project’s implementation, supervision, and completion stages:

- What is the conflict context in which the project operates?
- What is the two-way interaction between the project and its context?
- What possible negative effects could the conflict have on the project (political risk)?
- What are the project’s expected positive effects on the conflict (outcomes, impact)?
- What possible negative effects could the project have on the conflict (do-no-harm)?
- What are the best ways for the project to minimize its negative effects and maximize its positive impacts on conflict?
Element 5: IFC has significantly ramped up its human and financial resources to support investment in FCS, the latter specifically through the IDA-PSW and CMAW.

Human Resources:

IFC established an FCS Coordination Unit to harmonize FCS efforts. The coordination unit is currently a relatively small team, serving as the central focal point in the organization and as the main interlocutor with the FCV group at the World Bank. According to the FCV Strategy, IFC pursues opportunities to "leverage the presence of World Bank staff in FCS countries to help meet ambitious growth targets", citing that it will train a select group of WB country staff on IFC criteria and methods for developing new projects.

The FCV strategic priorities are also supported by the WBG’s push to expand its global footprint (with 65% of IFC staff in the field by the mid-2020s). According to SBO FY23-25, “IFC’s strategy in IDA-FCS includes (i) strong Upstream focus; (ii) continuing to scale up the use of de-risking instruments (over USD$ 1.8 billion in IDA funds have been Board-approved through the IDA PSW to support private sector projects in eligible markets, catalysing an additional USD$ 5.4 billion of development finance institution (DFI) and private capital); (iii) deepening collaboration within the WBG on private sector-oriented policy reform, using Country Private Sector Diagnostics (CPSDs) and IFC Country Strategies; and (iv) innovative platform approaches such as the Africa Fragility Initiative (AFI)”. IFC continues to increase staff dedicated to FCS, significantly increasing its footprint in FCS since FY19 (FY22 Budget). However, stakeholders confirm there is no specific target for decentralisation of IFC staff.

Interviews confirmed that there has been a concerted effort to increase people hired to FCS country offices or hubs, as well as the development of the FCS Network – an internal IFC community of 450 staff working in/on or interested in FCS. Interviews indicated that due to recent efforts to hire staff, the number of staff in FCS context has almost doubled from FY19 to FY22.

Table 12. Staff Headcount working in FCS, IDA17 and LIC

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Headcount FCS, IDA17 and LIC</td>
<td>206</td>
<td>239</td>
<td>270</td>
<td>262</td>
</tr>
</tbody>
</table>

The IFC Management Response to IEG’s 2022 Results and Performance (RAP) evaluation states that it has been “Expanding IFC’s overall footprint across Africa, including in FCS markets. IFC has increased the staff in FCS locations by 88 percent (from 89 staff members in FY19 to 167 in FY22) during COVID-19. IFC has also increased the incentives for staff working in FCS. For example, in FY21, 22 percent of corporate awards were given to teams working on FCS, and almost 50 percent (14 of 30) of the staff receiving IFC top 30 individual corporate awards in FY21 were recognized for multiyear efforts in FCS”.

Financing Mechanisms:

The FCV Strategy articulates a financing mechanism tailored to FCV affected countries, including IFC investments that are being supported by concessional finance (in particular the IDA-PSW). As noted above, IFC CIP Commitments include increasing the percentage of its portfolio dedicated to FCS/IDA as well as the percentage of these commitments supported through the PSW.

The FY22 Budget notes that IFC has increased administrative resources dedicated to FCS/IDA. IFC has also developed instruments, such as the PSW, to complement its own resources dedicated to FCS/IDA countries. The Creating Markets Advisory Window (CMAW), providing resources to support upstream work and open markets in difficult environments in countries supported by the PSW.

Overall, however, IFC’s spending for advisory services has been tilting away, not towards IDA countries, many of which are also FCS-countries (Table 13). While IFC does not separately report on its use of the IDA-PSW, IDA reports that USD 1.09 of USD 2.98 billion aggregate commitments (37%) under the PSW went to FCS countries.
Table 13. IFC AS project expenditures (USD M)

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<tr>
<td>Total</td>
<td>220.6</td>
<td>245.7</td>
<td>273.4</td>
<td>295.1</td>
<td>274.4</td>
<td>244</td>
<td>250.6</td>
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<tr>
<td>o/w IDA</td>
<td>62%</td>
<td>63%</td>
<td>57%</td>
<td>59%</td>
<td>57%</td>
<td>54%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: IFC Annual Reports.

Element 6: IFC’s staff are trained on and have access to staff with expertise on FCS.

There is a mandatory WBG learning curriculum for staff working in FCV settings focused on increasing operational competencies, analytic competencies, and personal effectiveness. The FCS coordination unit has developed a week-long course – Tools for Investment in FCS and IDA countries – which they try to offer annually. The fourth of these training courses was offered at the end of March 2023. Interviews indicated that between 80-100 staff have been trained with that course, specifically targeting investment officers that have engagement with FCS countries. Additionally, the AFI team conducts a Conflict Sensitivity e-training, which was launched on 17 June 2022. While most of this is beyond the review period, as of March 31, 2023, IFC reports that about 180 staff participated in the course.

MI 2.3 Evidence confidence

Medium Confidence

 MI 2.4: The MO’s corporate/sectoral and country strategies respond to and/or reflect the intended results of global commitments related to market creation.

<table>
<thead>
<tr>
<th>Score</th>
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<tbody>
<tr>
<td>Overall MI rating</td>
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<tr>
<td>Overall MI score</td>
</tr>
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<table>
<thead>
<tr>
<th>Element</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>Element 1: The MO has a dedicated policy statement on market creation available with evidence of application.</td>
<td>4</td>
</tr>
<tr>
<td>Element 2: The MO has market creation indicators and targets are fully integrated into its strategic vision and corporate objectives.</td>
<td>4</td>
</tr>
<tr>
<td>Element 3: The MO’s accountability systems (including corporate reporting and evaluation) reflect activities and investments linked to market creation.</td>
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<td>Element 4: The MO applies screening checklists or similar tools to support the integration of considerations for market creation in the design of new partnership frameworks, investments and other operations.</td>
<td>4</td>
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<td>Element 5: The MO has identified human and financial resources to support integration of market creation into partnership frameworks, investments and other operations.</td>
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<tr>
<td>Element 6: The MO’s staff are trained on and/or have access to staff with expertise on market creation.</td>
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</tr>
</tbody>
</table>

Element 1: Creating markets is a central priority of the WBG’s and IFC’s strategies and there is clear evidence of its application, most importantly through significant investment in IFC’s upstream (project development capacity) and its inclusion in IFC’s corporate strategy and AIMM framework.

Creating markets is a central priority of the Forward Look, the Capital Increase Package (CIP) of 2018, and of the IFC 3.0 Strategy. Creating Markets is central to the Maximizing Finance for Development agenda and is supported by the Cascade approach by which teams are to assess "the optimal mix of public and private engagements by asking first, whether a project can be delivered through sustainable private sector solutions while limiting public liabilities, and if not, whether WBG support for an improved investment environment or risk mitigation could help achieve such solutions." (CIP, 2018)

IFC 3.0 Strategy shifts IFC’s business model to focus on the creation of markets. This is supported by upstream and advisory engagements, which serves as the key mechanism to support the development of new markets and projects or systemic improvements in how markets function, paving the way for private sector solutions. Upstream “aims (i) to support the creation and realization of specific projects for which IFC

Source document: 8, 25, 28, 40, 58, 154, 155, 158, 160, 172, 182, 185, 227, 249, 327, 362, 386, 391, 399, 409
is a likely financing partner and (ii) to have a wider market impact to facilitate private sector investment for which IFC could be a potential financing partner” (SBO FY21-23). Similarly, advisory interventions aim to create enabling market conditions and opportunities that will mobilize more private capital into productive investments in emerging markets.

In response to the 2017 “Hamburg Principles” (Strategy for Crowding-In Private Sector Finance for Growth and Sustainable Development), the WBG committed to “adopt a systematic organization-wide approach to creating markets by linking policy reform, advisory, investment, and mobilisation to deliver solutions packages using the Cascade approach as the operating system for MFD” (Maximizing Finance for Development).

Several SBOs note that market creation is even more important in the context of COVID-19. The COVID-19 Approach Paper highlights creating markets and opportunities as a core feature of its resilient recovery component. As an overarching strategic framework, it would follow that IFC 3.0 mainstreams market creation in IFC work, and this is clearly present in the AIMM framework, but during COVID the main target indicator appears to have declined.

The MOPAN Survey found that IFC stakeholder are generally favourable regarding IFC’s ability to help create markets, with 14% strongly agreeing, 37% agreeing, and 28% somewhat agreeing.

**Q3[04] IFC helps create markets [in COUNTRY] by removing barriers to investment, enhancing the operating environment and identifying potentially viable investments.**

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<thead>
<tr>
<th></th>
<th>Shareholders</th>
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**Element 2: IFC’s market creation indicators and targets are fully integrated into its strategic vision and corporate objectives.**

Market creation is established as a policy commitment to shareholders through the Capital Increase Package (CIP) of 2018. Specifically, IFC committed to:

- Scale up private sector solutions by deepening World Bank Group collaboration for policy reform to eliminate obstacles to private sector; and
- Use advisory services for upstream project preparation and de-risking tools where needed to build a pipeline of bankable projects.

IFC’s progress reporting on the Forward Look and Capital Package Implementation (2022) notes that a pipeline of 456 upstream projects have been generated, increasing by 125 between FY21 and FY22. This pipeline reflects USD 29.3 billion in potential investment on a rolling 5-year basis; however, it is not known how many of these projects are expected to convert to actual commitments. Further information on WBG collaboration to scale up private sector solutions is presented in 2.4.4, below.

Additionally, market creation indicators (% of projects with "Very Strong" market creation potential) have been incorporated into the IFC Corporate Scorecard, among the AIMM metrics. Targets have not always been presented alongside results with management noting the influence of the pandemic as well as the time needed before upstream work translates into bankable projects. Additional information about performance for this indicator is presented in KPI 10.
However, there are no specific indicators identified to monitor the scaling up of private sector solutions through a deepening World Bank Group collaboration. This commitment has been addressed through the introduction of the Cascade process, discussed in KPI 1, above and also in element 2.4.4, below.

**Element 3: IFC’s accountability systems (including corporate reporting and evaluation) reflect activities and investments linked to market creation.**

Beyond the Corporate Scorecard one of the means through which IFC has incorporated market creation into accountability systems is through the AIMM Framework. As noted previously, AIMM is used for both investment projects and analytical work to assess their contribution to market creation both ex-ante and as part of portfolio reviews. Market creation potential contributes to half of the AIMM score and is part of the “general” AIMM framework, meaning that this concept is incorporated into all sector frameworks (see KPI 7).

AIMM is instrumental in IFC’s “portfolio approach” used to inform investment decision-making by balancing high potential for development impact with financial sustainability (through RAROC, explained further in KPI 11). The portfolio approach supports IFC in optimising development impact and financial sustainability for long-term impact.

Constantly improving the Portfolio Approach and its application, IFC introduced and launched a real-time program / portfolio dashboard in FY21Q1 to provide decisionmakers with real-time Ex-Ante RAROC and AIMM indicators, benchmarking and historical data at their fingertips. In addition, IFC updated its Board Paper guidelines to include a reference to the Portfolio Approach.” (IFC SBO FY22-24). In brief, it is working on the assumption that there is a trade-off between financial results (measured by RAROC) and development results (measured by AIMM). It is important to point out that past IEG evaluations have not found a trade-off ex-post: Financial returns and development results were (ex-post) found to be closely aligned.

IFC’s approach to creating markets has also been addressed through independent evaluation from both an accountability and learning perspective. In 2019, IEG conducted an evaluation of the WBG’s efforts in creating markets, with particular focus on IFC. Given the early stages of implementation, the evaluation was focused on learning, not on accountability. It identified the importance of:

(i) understanding constraints and opportunities to create markets and ensure they are incorporated in CPFs;
(ii) focus in particular on underserved groups and put in place appropriate M&E to understand the impact on the poor; and
(iii) to regularly assess IFC’s risk-taking capabilities to carry out market creation in difficult environments in a financially sustainable way.

In response, IFC Management highlighted a wide array of IFC’s analytical products – incl. CPSDs, Sector Deep Dives, IFC Country Strategies and pledging to ensure that private sector priorities are adequately reflected in CPFs.

As discussed further in KPIs 8 and 9, IEG validates IFC Expanded Supervision Reports for a sample of projects reaching operating maturity. The development outcome rating is based on four different dimensions, one of which is Private Sector Development impact, with guidance identifying that “The XPSR should cite the private sector development objectives that were defined at approval and assess the extent to which these were achieved. It should also report on any unintended or unexpected effects outside of those objectives.” (IEG and IFC, 2016, Instructions for Preparing an XPSR: Expanded Project Supervision Report) However, this indicator does not fully align with IFC’s AIMM Framework, with opportunities noted in the 2022 External Review of the Independent Evaluation Group to align the XPSR more closely to the AIMM Framework to promote the feedback loops. (2022 IEG External Review)

**Element 4: IFC applies the AIMM tool to support the integration of considerations for market creation in the design of new investments and analytical work. Market creation is also considered at the country level through WBG CPFs and IFC Country Strategies, supported by Country Private Sector Diagnostics.**
AIMM

AIMM serves a dual purpose of creating an accountability framework around market creation, but also creates important incentives for mainstreaming by virtue of its influence on investment decision-making. IFC targets an average score of 50 out of 100, indicating “good” development impact potential. Some projects can have a lower score; however, the majority of committed projects (72% in FY22) have an AIMM score of 43 or above versus 28% having a score of 23-43 (satisfactory).

Scaling-up private sector solutions

One of the means through which IFC has implemented its commitment to scale up private sector solutions through enhanced WBG collaboration is through the Cascade approach, described in KPI 1, above. As stated above, the Cascade first seeks to mobilize commercial finance, enabled by upstream reforms where necessary. Where risks remain high, the priority is to apply guarantees and risk-sharing instruments. Blended finance is applied “to mitigate specific investment risks and help rebalance risk-reward profiles of pioneering investments that are unable to proceed on strictly commercial terms” (How Blended Finance Works | International Finance Corporation (IFC).

An FY21 assurance review of the WBG’s Cascade Approach by the internal auditor found that the Cascade has not been implemented systematically. While “key steps have been taken and a renewed focus has been established by senior management to support the implementation of the Cascade approach”, “efforts and institutional arrangements need strengthening to effectively implement the Cascade approach across WBG institutions.” In particular, GIA noted that:

- although certain initiatives are in place to incentivize staff, these have not been effective in motivating staff to adopt the Cascade approach;
- although the guidance and initiatives taken by management have created an enabling environment, a systematic and consistent process is needed to incorporate the Cascade approach within operations; and
- the adoption of the Cascade approach will benefit from systematic monitoring and review using measurable metrics across WBG institutions to harness lessons learned.

IEG has similarly found that for a variety of reasons (e.g., lack of incentives, particularly on the World Bank side, and misaligned (short) cycles for CPFs and (long) cycles to effectively create markets), this focus on creating markets was not systematic. (IEG Evaluation: WBG Approaches to Mobilize Private Capital for Development, 2020).

IFC stakeholders at country level supported this view, indicating that although collaboration with WB colleagues happens regularly, the Cascade tends to be implemented opportunistically, often in specific sectors.

Integrating Market Creation through WBG collaboration in CPFs and Country Strategies:

Country Private Sector Diagnostics (CPSD) were introduced in 2017. CPSDs are core analytical products that help shape the content of WBG CPFs. These products provide an evidence base supporting a WBG strategic focus on expanding private investment and leveraging private sector solutions to persistent development challenges in client countries. In particular, CPSDs help identify where the private sector could have a larger positive development impact. The CPSD guidance note emphasizes the importance of a collaborative and multidisciplinary approach in drafting the CPSD that convenes public and private investment expertise across sectors and policy areas. As noted in KPI 1, above, these products are always led by co-TTLs reflecting WB and IFC experience. A 2019 IEG evaluation found the Country Private Sector Diagnostics tool (CPSD) provides a more in-depth and structured assessment of market creating opportunities. Over the review period, 40 CPSDs had been completed by the end of the assessment period, but relatively few in the early years (2 in FY18 and 4 in FY19) – but 17 alone in FY22. The lag in initial production was due to the fact that the CPSDs require a year to complete.

WBG CPFs build upon CPSDs to consider direct and indirect pathways to achieving its high-level outcomes, with indirect pathways considering activities in market creation. CPF Guidance notes that “an important
indirect pathway is encompassed in the maximising finance for development (MFD) approach (aka “cascade approach”) that can help determine a full range of WBG interventions to unlock sustainable private sector solutions and support market creation to address the development needs of a country. IFC management clarified that the Cascade is a tool for “Maximising Finance for Development” This can be done by: (i) considering the potential for crowding in additional private resources when defining CPF Objectives; and (ii) agreeing with the government on the most effective mix of WBG interventions and cross-WBG programmatic approaches to achieve a given CPF Objective, leveraging the full capacity of IFC Operations including Upstream and Advisory, and IFC and MIGA Investment.”

IFC Country Strategies also adopt a clear focus on creating markets. They reflect on the countries’ economic and development context, including recommendations from the CPSD and related WB activities as well as upstream projects and platforms IFC can invent, design or bring to market. Each Country Strategy includes an “if-then” matrix of priority policy reforms and related potential investment opportunities. Furthermore, activity areas are identified by strategic priority, including IFC 1.0/2.0 “traditional business” and IFC 3.0 business, including creating markets activities that may or may not require policy reforms. Finally, Country Strategies feed back into CPSDs by identifying which sectors would potentially benefit from a deep dive analysis.

Element 5: IFC has identified human and financial resources – in particular its upstream work – to support integration of market creation into partnership frameworks, investments and other operations.

Human Resources:

SBOs note that IFC 3.0 is a resource intensive strategy, with the recruitment of additional staff with Upstream expertise. IFC uses a combination of monetary and non-monetary measures to encourage staff to work on Upstream engagements. SBO FY21-23 confirms that significant investments have been made to improve IFC’s analytical capacity and foster a deeper understanding of market opportunities and constraints at the country level. As of 2022, there were 275 upstream staff. IFC is in the process of integrating the upstream and advisory staff to mitigate silos between the two groups. Furthermore, advisory staff that used to sit in the global sector teams were integrated. With these changes, staff has increased to around 360. As noted in MI 3.3, above this has involved a significant shift in administrative resources in line with IFC 3.0.

Following the Creation of the Economics and Private Sector Development VPU, IFC stakeholders indicated that the team responsible for the implementation of AIMM has grown to 75 people, 16 based in country offices, as well as 12 ETCs.

Financial Resources:

As part of its IFC 3.0 toolkit, IFC has also identified important financial platforms to support creating markets, including the Creating Markets Advisory Window (CMAW) and the IDA Private Sector Window (PSW).

The IDAPSW is a USD 2.5 billion concessional finance window that facilitates investments in IDA-only and fragile or conflict-affected IDA gap and blend countries (See MI 1.4, above). The PSW is deployed in accordance with the DFI Enhanced Blended Finance Principles through four facilities:

(i) A Local Currency Facility to provide long-term local currency IFC investments in IDA countries where capital markets are not developed, and market solutions are not sufficiently available;

(ii) A Blended Finance Facility 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;

(iii) A Risk Mitigation Facility to provide project-based guarantees without sovereign indemnity to crowd-in private investment in large infrastructure projects; and

(iv) A MIGA Guarantee Facility to expand coverage through shared first-loss and risk participation via MIGA reinsurance

The CMAW is a three-year funding window established to allow IFC to respond to increased demand for advisory services in IDA/FCS. These funds are intended to work in conjunction with the IDA-PSW. CMAW-supported advisory is intended to support project development and/or strengthen capacity, while blended
finance, through the IDA-PSW, is designed to help more mature projects to achieve bankability. Over USD 337 million has been allocated to the CMAW over the course of the assessment period. IFC is also hard-wiring the links between IFC Country Strategies and the Upstream pipeline by introducing country-driven budget allocations as of FY21 to better align budgeting with strategy. First IFC country managers were given control of the budget for “upstream” activities, this was recently extended to advisory services (discussed further in MI 3.2). IFC Stakeholders at country level note that the shift to country-level budgeting, giving them more control over the CMAW, has given them more control over resources to support upstream work in line with priorities and the IDA-PSW has helped to ensure sufficient investment funds are available to support projects in difficult country environments.

The MOPAN survey found that only 56% of IFC stakeholders responded favourably that the IDA PSW and the CMAW are being used effectively to address constraints to investment and crowd-in investments in challenging markets; 32% of respondents indicated that they did not know.

Element 6: IFC implements a range of staff training around market creation.

A corporate Innovation and Upstream Implementation Task Force oversees six workstreams, including 'Onboarding, Internal Capability Building, and Training'. Over the course of the assessment period, training has been implemented to improve staff capacity and awareness of operational requirements and changes. Some examples include:

- 1750 staff were trained on changes to the ADM during 2022/23;
- 1480 staff were trained on project processing for advisory and upstream work between FY18 and 22; and
- 453 staff were trained on project design for upstream and advisory work between FY21 and 22

IFC Stakeholders indicate that AIMM is now included in the core curriculum module on risk and an additional online training offerings and training for management is currently being designed.

MI 2.4 Evidence confidence

Medium Confidence

Performance Area: Operational Management

Assets and capacities organised behind strategic direction and intended results to ensure relevance, agility and accountability

<table>
<thead>
<tr>
<th>KPI 3: The operating model and human and financial resources support relevance and agility</th>
<th>KPI score</th>
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<tbody>
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Throughout the assessment period, IFC has made considerable changes to align its budgets, human resources and processes to IFC 3.0. These large-scale changes have yielded some important risks and unintended consequences, including increased reliance on external consultants and reduced timeliness of investment decision-making. Implementing IFC 3.0 has also had foreseen, but
important, implications for the growth of IFC’s administrative budget authority and actual administrative expenditure. IFC has a systematic and transparent budgeting process that aligns the allocation of resources to strategic priorities, reinforced by budget efficiency indicators to help guide the organisation through its institutional transition. Innovations such as country-driven budgeting have helped strengthen alignment of fundraising to strategic priorities and country needs and support the implementation of IFC’s upstream approach. IFC has a strong Capital Adequacy Framework (CAF) and capital position, complemented by a strong focus on mobilisation as a key pillar of IFC 3.0.

### MI 3.1: The MO’s organisational structures and human resources management ensure that administrative resources are re-aligned and adjusted to key functions.

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<th>Score</th>
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<tbody>
<tr>
<td>Satisfactory</td>
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</table>

**Element 1:** The MO’s organisational structure is aligned with, or being reorganised to align with, requirements set out in the current strategic vision.

**Element 2:** The MO’s staffing structure is aligned with, or being restructured to align with, requirements set out in the current strategic vision.

**Element 3:** The MO’s administrative expenditure is aligned to current organisational priorities and goals as set out in the current strategic vision.

**Element 4:** The MO’s internal restructuring exercises have a clear purpose and intent that are aligned to the priorities of the current strategic vision.

**Element 5:** The MO’s internal processes support agility, innovation and data-driven decision-making.

**MI 3.1 Analysis**

**Element 1:** IFC’s organizational structure has been adjusted over the assessment period to align with strategic priorities and support the implementation of IFC 3.0 more closely.

In particular, restructuring has included the creation of new positions to prioritize economics and sector work by creating an Economics and Private Sector Development VPU and, subsequently, regional VPUs to oversee increased regional presence and upstream work. After initially being separated upstream work has recently been merged with advisory services (AS). Budget and strategy documents show that Advisory Services have become more tightly integrated with Investment Operations to enable better integration of upstream work.

Creating markets has been a consistent priority, as demonstrated by SBOs and updates across the assessment period (FY21-23; FY22-24, FY23-25). IFC stakeholders confirm that a structured workforce program was implemented to respond to IFC’s new “3.0” strategy and “Creating Markets”. The goal was to enable “optimal deployment of staff” “to ensure long-term alignment” with IFC’s Strategy, with particular emphasis on “high priority areas, including upstream market development in FCS and IDA countries” and “leveraging more junior level resources for efficient delivery” (SBO FY19-21). This objective was operationalised through initiatives to rebalance IFC’s workforce composition.

The CIP “defined HR-related goals in the workforce planning exercise, such as reducing staff costs, improving the staff skills mix, and strengthening the staff rewards and incentives program. IFC launched voluntary and nonvoluntary separation programs during FY19 and FY20 that removed a notable share of GH-level staff”. (IEG Validation of the WBG 2018 CIP Implementation). Stakeholders indicated that IFC went through a concentrated effort to ensure that the right skills at the right levels at the right places are available to execute its strategy in FY19. As part of the initiatives taken, a call for volunteers for a mutually agreed separation was implemented. This initiative was tailored to ensure that IFC shifts skills to priority areas.

Other notable organisational changes implemented over the assessment period include:

- The separation of the environmental and social (E&S) review function, separating the policy and risk department (reporting directly to IFC’s Managing Director) from IFC’s operations support in the E&S area; and
- significant changes within the Economics and Private Sector Development Department, including the centralization of the economists in IFC.
Following the move of the single E&S department from the legal to the operations vice presidency, there was a perceived need to separate the regulatory function from operations. The move to centralise economists was intended to create more focus on implementing the IFC 3.0 strategy, strengthen analytical capacity and support the roll-out of AIMM.

Element 2: IFC’s staffing has evolved significantly in response to the changing requirements set out in strategic planning documents, yielding potential benefits in terms of business generation and responsiveness, but also potential risks.

As part of IFC 3.0, IFC reoriented its staffing both to ensure adequate regional footprint and to rebalance its grade mix, focusing on junior level staff. Both measures were undertaken to increase productivity and ensure an appropriate skills-mix to deliver the strategy. This was followed by changes in IFC’s organisational structure and the hiring of new staff to support the operationalisation of the upstream approach, the implementation of AIMM and expand IFC’s global footprint. IFC’s strategic documents (SBOs FY21-23, FY22-24 and FY23-25) outline the main staffing changes and the underlying rationale aligned to IFC 3.0 and the CIP commitments.

According to interviews, 56% of all staff (the same as in FY17) and 70% of operations staff are in country offices. Although there was no specific decentralization target, IFC pursued and achieved greater decentralization through recruitment of local and regional junior staff as well as promotion and placement of senior staff in country offices and regional hubs.

Interviews confirmed that redundancies were pursued as part of the capital increase commitments, including a call for volunteers for a mutually agreed separation. The overall goal was to reduce senior operational and managerial (G2/H) staff, and about 250 left. IFC stakeholders indicated that not all staff who volunteered were let go, particularly where their skills were considered important for the implementation of IFC’s strategy. Additionally, some staff were downgraded; however, HR policies did not allow for a decrease in salaries, hence there was limited impact on IFC’s administrative budget.

A lot of junior staff were hired as local staff or as third country nationals (international staff who are paid on the US pay scale are limited to G2 and above). This compensation differential may have contributed to difficulties hiring staff to work in or on Fragile and Conflict-Affected Situations (FCS). Considerable hiring took place over the assessment period for upstream work and economics and also to support delivery of IFC’s climate commitments – with both areas of operation reflecting IFC’s strategic vision.

According to interviews, IFC currently has over 4300 staff (plus 480 vacant positions), 238 Extended Term Consultants/Temps (ETCs/ETTs) and just over 1000 Short-Term Consultants/Temps (STCs/STTs). The number of STCs in IFC has remained very stable during the review period (1000-1100), whereas the number of ETCs has increased (from zero).

According to IFC’s Capital Increase Package, one of the objectives of the restructuring and departure of senior staff was to “optimize the grade mix including [to] target a steady reduction in the number of GH positions”, which has decreased from a share of 17 percent to 13 percent during the review period (Table 14). This is notwithstanding the reallocation of staff across grades to different functions in line with IFC’s strategy.

According to IEG, “The CIP’s clearest, or at least most measurable, legacy in this area is its management of salary and workforce growth, specifically its reduction in GH-level staff. However, the reduction in high-level technical staff likely decreased staff capacity and morale with unclear effects on the Bank Group’s performance.” (IEG Validation of the WBG 2018 CIP Implementation)

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<th>Table 14. IFC Staffing by Grade</th>
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IEG’s 2022 Evaluation of “Enhancing the World Bank’s Global Footprint” and GIA’s 2022 audit of the Management of World Bank Group’s Contingent Workforce have identified lessons and potential risks regarding the restructuring of IFC’s workforce, including:

- Potential loss of institutional memory linked to increased use of contingent staff and weak processes for transferring knowledge from contingent workers to hiring units;
- Overreliance on informal mentoring of new and junior staff in country offices that is unlikely to meet their needs;
- Trade-offs linked to the enhanced use of Third Country Nationals to expand IFC’s field presence between the ability to bring cross-country knowledge versus reduced exposure to the World Bank Group’s culture and corporate vision; and
- Challenges in motivating staff to work in FCS countries based on limited performance incentives.

However, evaluative evidence has also indicated the value of enhancing decentralisation and placing senior staff in the field in terms of stronger relationships with clients that helped generate business and promote responsiveness, including:

- A better understanding among staff of local markets and the local political economy;
- Projects being better tailored to clients’ needs;
- Increased informal interaction between staff and clients leading to enhanced trust;
- More business opportunities generated from staff-client dialogues; and
- A more rapid initial response to COVID-19 made possible by strong pre-existing in-country relationships with clients.

Most partners surveyed (73%) agree that IFC has a sufficient number of staff to generate a viable pipeline of projects and provide support to clients, according to the MOPAN survey. However, the majority of co-financing partners disagree. In total, 13% of respondents indicated that they didn’t know or had no opinion.

Across IFC’s various partner groups surveyed there is agreement (92% favourable) that IFC’s staff are sufficiently experienced and skilled to contribute to private sector development and market creation.
There is also general agreement (83% favourable) that IFC’s staff are present for a long enough time to build the relationships needed to facilitate their work in country, however, 20 percent of host governments and co-financing partners surveyed disagree with this statement.

Finally, although most partner groups surveyed in the MOPAN survey agree (78% favourable) that IFC has positioned itself, including through its staff and skills complement, to serve all clients in line with its corporate vision to implement an upstream approach in challenging markets, only 50 percent of co-financing partners agree.

Element 3: The SBO and Budget documents indicate that IFC’s resource allocation is aligned to the strategic priorities as set out in the Forward Look and IFC 3.0 (as well as its former iterations). IFC has consciously invested in upstream business with the expectation that this will over time result in increased business, but this has not yet been realised with implications for IFC’s budget coverage ratio.
Annual SBOs and Budget documents identify the implications of implementing the CIP commitments and IFC 3.0 for IFC’s administrative budget and its trajectory. A section of the budget document identifies how the budget is broken down by region/theme. The budget document also indicates considerations/alterations that were made in light of COVID and how that affects the trajectory. These themes appear to be in line with the strategic plan.

The Capital Increase Package (CIP) made it clear that some of the envisaged changes would entail higher cost, including the focus on more difficult markets (e.g., low-income countries (LICs), IDA and FCS) and on market creation (e.g., upstream work). IFC identified administrative savings from exits due to the workforce planning exercise of USD53 million from FY18 to FY19. Administrative expenses declined from USD 1355 million in FY18 to USD 1281 million in FY19, with a substantial share (40%) due to the departure of senior staff. These savings were realised prior to the hiring of new junior staff.

Resources allocated to expand IFC’s global footprint and support the operationalisation of the upstream approach were expected to eventually be offset by portfolio growth. Between 2016 and 2023, IFC’s administrative budget authority increased by 3.8% p.a. and the disbursed portfolio increased by 20.1% over that period, on average 3.1% p.a. Actual administrative expenditure identified from IFC budget papers increased 3.9% between 2016 and 2022. This includes some underspending in the early years of the assessment period relative to the overall budget authority and subsequent carry-overs. IFC has not exceeded its administrative budget allocation at any point throughout the assessment period.

IFC uses the Budget Coverage Ratio (BCR, administrative expenditures divided by loan and fee income) as key efficiency metric in IFC’s Scorecard. The BCR was expected to be below 85% in FY19 and FY20, and below 83% from FY21-23 (IFC Budget Paper FY21). However, IFC stakeholders indicated that the BCR fluctuated between 79% in FY19 to 98% in FY21 before returning to 93% in FY22. Stakeholders indicated that this was a conscious decision to let the BCR increase above the target threshold with the expectation that IFC’s upstream work would eventually bear fruit – increasing IFC’s portfolio and income, and thus lowering the budget coverage ratio. However, this was not explicitly mentioned in IFC’s SBOs or budget papers.

IFC’s portfolio growth and BCR have been impacted by IFC’s strong focus on short-term finance (STF) in response to COVID, which does little to increase IFC’s portfolio and has lower margins than the traditional loan portfolio. There is an expectation that IFC’s strong focus on upstream work will eventually generate business, and IFC’s FY23-25 SBO reports a USD 16.4 billion, 5-year pipeline. However, it is not possible to anticipate the conversion rate for the pipeline and the contribution to IFC’s disbursed portfolio.

Element 4: Each restructuring is clearly explained by IFC’s strategic vision and aligning the staffing to it. Various SBOs indicate that reallocating skills internally and restructuring the grade-level mix is a part of this process.

As explained in other elements throughout this MI, terminations and restructuring as well as the underlying rationale are explained transparently in subsequent SBOs released over the assessment period. Internal restructuring exercises are linked to the implementation of IFC 3.0 as well as CIP commitments around efficiency savings.

Interviews indicated that as the restructuring was implemented, some measures had to be modified. For example, upstream staff were initially located in IFC’s headquarters (HQ) during COVID but are now being moved to country offices. Upstream was initially established separate from advisory services but is now being merged with it. Investment decision making has also been adjusted, with leadership at times by the Regional Industry Heads (to be closer to client needs) and at others by the Global Industry Heads (to improve central quality control).

Staff feedback (2022 pulse survey, 2019 staff survey) indicate that less than half of IFC staff “understand the direction in which WBG Sr. Management is taking the institution.” This relatively low rating suggests there remain opportunities to improve visibility for the rationale of restructuring among IFC staff.
Only 73% percent of shareholders surveyed in the MOPAN survey agree that IFC has adjusted its staff complement in line with the corporate vision, striking the right balance between bringing in new skills and retaining institutional memory; 12% indicated that they didn’t know.

Element 5: IFC has implemented a number of innovative financing and knowledge platforms as well as innovations to support data-driven decision-making. There are opportunities, however, to improve the speed of investment decision-making.

To address this element, three issues were considered: (i) IFC’s use of financing and knowledge platforms to drive innovation; (ii) use of artificial intelligence and other tools to drive data-driven decision-making and overall timeliness of decision-making; and (iii) overall processing times for investments.

Innovation is a part of the WBG core values, enshrined within the 2020 Code of Ethics. Innovation is also a fundamental consideration in how IFC selects and designs its projects, incorporated into assessments of additionality (innovative financial structuring and products) and AIMM scoring (innovation and demonstration effects).

Financing and Knowledge Platforms:

IFC is a leader in identifying innovative models for mobilisation, including its Managed, Co-lending Portfolio Platform (MCPP), local currency syndications, IFC Asset Management Company and PPP Advisory services (described further in MI 3.2). New iterations of the MCPP have also been launched to address thematic issues such as climate and infrastructure development, identifying new means to channel private investment toward critical development challenges.

Donor-financed programmes supporting the support the delivery of Advisory Services have also been instrumental in identifying innovative means of engaging in difficult markets. IFC’s CASA Programme, launched in 2008 and closed in 2021, funded IFC-AS projects in FCS (13 countries in Africa), providing market intelligence and advice and helps governments strengthen their business environment. A review of IFC’s support to FCS in found that “the flexible financing mechanism, support in the field, and innovative thought leadership contribution, have been a catalyst to success in FCS countries.” (IEG Report: IFC’s and MIGA’s Support for Private Investment in FCS, FY2010-21). The programme informed the development of IFC’s FCS Africa Programme, launched in 2022 (See element 2.3.4).

IFC’s Fast-track COVID-19 Facility was recognised by stakeholders as an important innovation allowing IFC to respond to the needs of clients in an agile way as the pandemic emerged. In particular, the fact that the facility primarily supported existing clients was applied to identify means of significantly streamlining decision-making processes while balancing risk. The Independent Evaluation Group (IEG) Evaluation of the WBG’s Early Support to Addressing the COVID-19 Economic Response (2023, in brief IEG COVID Evaluation) found that the WBG “Delivered the Largest Crisis Response in Its History Thanks to Strategic and Agile Decision-Making and Learning from Past Crises” and considered it “mostly relevant overall” and “highly relevant in low-income countries” (LICs).
Data-driven Decision-making:

IFC (and the WBG more broadly) is using machine learning and data analytics to strengthen oversight and accountability functions, examples include:

- IFC’s Machine Learning ESG Analyst (MALENA): an artificial intelligence-powered platform that identifies insights from ESG data to enable rapid analysis, increase productivity, build investor confidence, identify potential risks and scale up Environmental and Social Risk analytics for emerging markets; (see MI 5.4);
- The Integrity VPUs (INT) Data lab: INT’s risk analytics team and preventative services team work to extract insights and analysis from ongoing cases to support early intervention and prevention, providing insights to support project approval (See MI 4.5);
- The Independent Evaluation Group leverages artificial intelligence to scan validated Expanded Supervision Reports (XPSRs) to identify potential lessons to inform project design.
- The IFC Dashboard, accessible to all staff, provides detailed information on IFC’s investment programme and pipeline by sector and industry, including progress achieved against annual targets and year over year comparisons. Additional live data are provided about portfolio exposure by region and industry, budgetary resources and spend, human capital and workforce planning, ESG risk management, pipeline and stage processing times and blended finance, including annual performance reports.
- CSO implements a Collaboration Suite, including a Web-based “CSO Lessons Explorer” tool, which provides detailed information on Jeopardy Projects, from challenges to workflow strategies implemented, and lessons learned along the way.
- Other tools planned for future roll-out include the IFC OpsFinder, which will enable easy access to project information and lessons learned, and the IFC Lessons Platform, which will aggregate, collect, maintain and display relevant and curated IFC lessons learned.
- IFC has an extensive range of quarterly reporting to its Executive Board, including its Quarterly Operations Reports, Portfolio and Risk Reports and Human Resources and Budget Reports, providing a range of detailed operational data to inform management of the institution.

A FY20 GIA audit of IFC’s Knowledge Management Approach concluded that knowledge management “technology, tools, and systems being developed do not yet enable an efficient cross-unit flow of knowledge at IFC. This makes retrieval of knowledge across the various information repositories a time-consuming activity and relevant accumulated knowledge may not be systematically disseminated to investment and advisory staff during the project lifecycle” (World Bank Group, 2020, Group Internal Audit’s (GIA) FY20 Annual Report).

However, Stakeholders noted that, since the FY20 audit significant projects of IFC’s KM technology initiative have included (See also 4.2.4):

- launching of a new intranet (completing content clean-up, taxonomy and metadata evaluations and updates, migration, and content governance);
- establishing a content management help desk, search improvement for relevancy and findability, lessons aggregation via search, and Knowledge Packages;
- providing governance and guidelines for KM tools, IFC also manages collaboration requests (MS Teams, Streams, Yammer/Viva Engage);
- expanding metrics reporting for internal clients (intranet websites) to identify gaps and make smarter choices on what content to produce;
- launching quarterly and annual information management reports on IFC content across all WBG platforms (intranet, IFC.org, Documents & Reports Internal, Open Knowledge Repository, Open Learning Campus); and
- scanning repositories for key terms, using text analytics software, for Upstream, Advisory, and the Operations Management departments.

In addition to creating a new unit responsible for knowledge management, IFC is currently considering options to consolidate the knowledge and learning functions of the institution under a single unit to consolidate responsibilities and management. A key area of follow-up to the audit that has not yet been addressed is the finalisation of an organisation-wide knowledge management strategy. Although the strategy has been developed, it is currently being consulted and has not yet been finalised.
**Agile Decision-making:**

IFC has sought to track timeliness of decision-making and make internal collaboration processes more efficient over the assessment period. However, processing times have not been meaningfully reduced.

IFC has continually tracked the median time from mandate to disbursement as part of the corporate scorecard. As a baseline, IFC’s FY18 budget paper indicated 279 days in FY15 and 259 days in FY16. IFC’s FY19 budget paper provided data for FY17 (195 days) and a target of 150 days for FY18 and FY19. By FY21, this timeframe has increased to 262, with targets in the SBO 2022-24 set at 229-239 days. In Q3 FY22, the timeframe had increased to 302 days against a target of 239. IFC stakeholders indicated that the target of 150 days was no longer considered realistic.

During COVID, IFC emphasized the use of interventions with shorter processing times (the Fast-Track COVID Facility, FTCF). In FY21, median mandate to first disbursement stood at 139 days for FTCF projects, against 313 days for non-FTCF (Management Response to the IEG early-stage evaluation of the COVID-19 response). Interviews indicated that IFC is now trying to apply lessons learned from the FTCF also to regular business to make internal processes fast and more agile. Stakeholders noted that processing enhancements, enabled by FTCF have been mainstreamed under the Expedited Processing for Existing Clients (EPEC) and have been operational since April 2022.

Publicly available data appears to indicate that timeline have lengthened rather than shortening over the review period (Figure 6). This feedback has been confirmed by IFC stakeholders who note that the ADM reform introduced in 2018 has helped increase accountability for quality in the design of operations, including through the introduction of AIMM, but has also made investment decision-making processes lengthier and more cumbersome. As noted in KPI 1, IFC has recently introduced changes to its ADM to build upon lessons learned and streamline decision-making.

**Figure 6. Timelines for Investment Processing**

![Timelines for Investment Processing](image)

Note: Data compiled from publicly available sources (IFC investment projects, excluding GTFP and GTLP projects) as of Feb. 24, 2023 and does not include time from mandate to approval.

**MI 3.1 Evidence confidence**

High Confidence
MI 3.2: MO has processes in place to monitor capital adequacy and financial sustainability in line with its core mandate and strategic priorities.

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MI 3.2: MO has processes in place to monitor capital adequacy and financial sustainability in line with its core mandate and strategic priorities.

Score

Overall MI rating

Highly Satisfactory

Overall MI score

4.00

Element 1: The MO has strategy and mechanisms in place to assess the adequacy and efficient use of capital to implement the strategic vision, with clear targets for monitoring and reporting that are explicitly aligned to this vision.

Element 2: The MO’s funding strategy identifies diversified mechanisms to raise funding from capital markets to supplement the use of paid-in capital and capital generated from retained earnings to support investment.

Element 3: The MO’s capital adequacy is reviewed to address capital availability, capital needs and projections for multiple years in line with strategic vision.

Element 4: The MO’s capital adequacy strategy identifies mechanisms or minimum thresholds for capital adequacy and considers approaches for situations in which capital is constrained.

MI 3.2: MO has processes in place to monitor capital adequacy and financial sustainability in line with its core mandate and strategic priorities.

Score

Overall MI rating

Highly Satisfactory

Overall MI score

4.00

Element 1: The MO has strategy and mechanisms in place to assess the adequacy and efficient use of capital to implement the strategic vision, with clear targets for monitoring and reporting that are explicitly aligned to this vision.

Element 2: The MO’s funding strategy identifies diversified mechanisms to raise funding from capital markets to supplement the use of paid-in capital and capital generated from retained earnings to support investment.

Element 3: The MO’s capital adequacy is reviewed to address capital availability, capital needs and projections for multiple years in line with strategic vision.

Element 4: The MO’s capital adequacy strategy identifies mechanisms or minimum thresholds for capital adequacy and considers approaches for situations in which capital is constrained.

MI 3.2 Analysis

Element 1: IFC has strong processes to ensure capital adequacy and efficient use of capital. IFC also mobilizes capital from many sources and has been quite successful in comparison with its peers.

IFC has a strong focus on capital adequacy, which is very closely watched by IFC Management and the ratings agencies, with clear targets. Until FY22, IFC has tracked Deployable Strategic Capital (DSC) as its key capital adequacy metric. Since FY22, there has been a shift to using the capital utilization ratio (CUR, capital required over capital available). The CUR is simply 0.9 minus the DSC, so both ratios measure the same thing. However, the CUR is being adopted because: (i) it is an easier metric to understand and interpret than DSC; (ii) it is more widely used by other MDBs or other institutions; and (iii) the capital buffer is ‘hidden’ within the DSC calculation (i.e., if the capital buffer were changed from 10%, the DSC would also change), while CUR is a more transparent metric.

The DSC and CUR have been reported consistently throughout the assessment period in annual financial statements. As noted above, S&P considers IFC’s financial risk profile “extremely strong” and Moody’s states that IFC has “A strong capital position, with low leverage and best-in-class risk management”. Additional information on IFC’s current capital position is provided in KPI 12. In FY22, GIA conducted an assurance review of IFC’s Capital Adequacy Framework and found that it “includes key components such as risk identification and measurement, capital adequacy planning, risk appetite and stress testing; monitoring and reporting, and an annual framework update cycle” and that “management holds economic capital for absorbing the risks arising from credit market volatility, as well as the operational risks of its investment and treasury activities” (GIA FY22 Annual Report).

However, the assurance review also identified the following issues: “(i) Management has defined neither the internal approach and roles and responsibilities for independent validation of the economic capital investment model, nor the criteria for investment portfolio model changes that require independent review; (ii) key procedures have not been fully defined and documented in a structured manner for the various data inputs used in determining capital adequacy; and (iii) Management has not yet completed a detailed plan to guide and track the implementation of the newly adopted Economic Capital Framework” (ibid). Stakeholders noted that IFC has developed and implemented Management Action Plans to address the items identified in the GIA assurance review. As noted in MI 1.4, above, a 2022 Corporate Risk Committee Directive on the Capital Adequacy Framework addresses some of these issues, integrating provisions related to the capital adequacy, economic capital and downstream implications into the Enterprise Risk Management Framework, including greater clarity on governance and roles and responsibilities.

As noted above in MI 1.2, mobilisation is a key component of IFC 3.0, allowing IFC to use its capital more efficiently and implement a portfolio approach for investment decision-making. IFC’s long-term goal is to increase core mobilisation to USD 23 billion by FY30 (or 92% of IFC’s LTF commitments, which by then are expected to grow to USD 25 billion). IFC focuses in particular on “core mobilisation”, defined as “Third-party finance deployed as a result of an active and direct effort on the part of the International Finance
Corporation. Mobilisation, including IFC’s platforms for mobilisation are discussed further in element 3.2.2, below.

**Element 2: IFC has a strong balance sheet and is well capitalized relative to risk weighted assets.**

Mobilisation is a strategic priority for IFC and several platforms are implemented to mobilise capital from private investors.

Funding and liquidity management is considered a clear strength of IFC by the rating agencies, for example by Moody’s (“very strong liquidity and funding position”) and S&P (“Diversified funding base, along with a matched-funding policy, limits risk”, and “very strong funding and liquidity”). IFC’s risk-adjusted capital ratio (“RAC” ratio) of 34.6% in 2020 is strong and indicates a resilience by IFC to economic downturns. S&P’s analysis covering the first half of FY22 states that, “IFC’s financial profile is extremely strong thanks to its substantial capitalization.”

IFC focuses in particular on “core mobilisation” as part of its implementation of IFC 3.0. Such activity would usually be evidenced through the payment of a fee. Core mobilisation includes third-party funding from both private and public sources (including other multilateral development banks, development finance institutions, and sovereign wealth funds) on commercial terms that are raised due to active and direct efforts by the International Finance Corporation.” (IEG Evaluation of WBG Approaches to Mobilize Private Capital for Development, 2021, in brief PCM-Evaluation).

IFC has a number of means of promoting core mobilisation and provides comprehensive information in annual financial statements. Most of IFC’s core mobilisation over the review period came from syndications (47%) and IFC initiatives (29%), with relatively small shares from IFC’s Asset Management Company (AMC – 3%) – see Figure 7. There was also a significant amount of advisory mobilisation, representing 21% of core mobilization during the review period (on average USD 2.1 billion p.a.), almost exclusively from Public-Private Partnerships (PPPs – 97%), where IFC advises to prepare a PPP.

**IFC’s Managed Co-Lending Portfolio Programme:**

IFC’s MCPP is an innovative debt product designed to leverage IFC’s experience and expertise in emerging market investments to unlock institutional investor financing in emerging market economies. The platform provides investors with a diversified portfolio of loans that mirrors IFC’s own, similar to an index fund, allowing investors to benefit from IFC’s coverage of different countries and sectors. Specific variations of the MCPP have been launched over the course of the assessment period to address investment in infrastructure and climate.

**IFC’s Asset Management Company:**

The AMC was a unique initiative, creating a separate institution to specifically raise funds from external sources to invest alongside IFC in emerging markets. AMC was merged into IFC effective January 31, 2020, still enabling outside investors to invest alongside IFC in emerging markets. Investors in funds managed by AMC have included sovereign wealth funds, national pension funds, multilateral and bilateral development institutions, national development agencies and international financial institutions (IFIs). These funds collectively are referred to as the AMC Funds.

GIA in FY21 conducted an audit of IFC’s Post-merger Oversight and Operating Arrangements with Asset Management Company (AMC) identifying the following issues: “(i) IFC’s oversight of AMC’s investor communication; (ii) definition of roles and responsibilities between some IFC business units and AMC; (iii) alignment of processes on nominee directors between IFC and AMC; (iv) completion of the risk control self-assessment for AMC; (v) review of the remaining AMC vendor contracts not assessed at the time of the merger; and (vi) data access and information sharing” (GIA FY21 Annual Report).

**PPP Advisory Services:**

IEG found that “IFC PPP advisory services are relevant and made a significant contribution to IFC’s core mobilisation, totalling more than USD 1 billion in recent years. Clients highly value IFC PPP advisory work, recognizing IFC’s ability to convene private sector operators for PPP bids, offer neutral review of private
sector proposals, and structure PPP transaction solutions that involve expertise from various parts of the Bank Group and from other partners. They also value its ability to act as a neutral party and its contacts with emerging market investors.” “IFC PPP advisory services have been effective.” (IEG PCM Evaluation, 2021)

**IFC’s Green Cornerstone Bond Fund (GCBF):**

“IFC’s bond mobilisation platform, the Green Cornerstone Bond Fund (GCBF), has been effective. Through its pioneering GCBF, IFC achieved positive PCM outcomes in its bond mobilisation efforts by increasing client firms’ access to green loans through intermediary financial institutions”. “This platform […] has shown both demonstration effects in other client countries (for example, the Philippines) and replication effects in other MDBs.” However, IEG also considered that “Expansion of IFC’s PCM platforms (for example, AMC, MCPP, and GCBF) […] is limited by internal capacity.” (Ibid.)

**Figure 7. IFC Core Mobilisation**

![Bar chart showing IFC core mobilisation](image)

IFC continuously monitors its capital adequacy through the capital utilization ratio (CUR). When IFC was getting close to the limit (88%), it started capital increase discussions with its stakeholders. The Board approved a USD 5.5 billion capital increase in FY18, after clearly articulating its vision in the Forward Look and the Capital Increase Package (CIP), with reporting on its implementation to the Board and Governors.

IFC has historically emphasized a strong capital base, which it maintains by monitoring IFC’s portfolio and ensuring capital is sufficient in case of an economic downturn or disruption. Due to the capital increase and IFC converting its retained earnings into capital (versus transferring them to IDA), the risk-adjusted capital (RAC) ratio has improved each year since 2016, from 21% in 2016 to 35% in 2020. The implementation of the CIP is closely monitored, with regular reporting to the Board and Governors. (See also Element 1.)

There is a clear process and methodology in place to monitor and report on capital adequacy and trajectories. IFC calculates its capital adequacy position on a regular basis throughout the fiscal year, including capital adequacy forecasts over the current and next three fiscal years. These forecasts are reported to management and discussed quarterly.

IFC’s current capital adequacy position is reported to the Board Audit Committee on a quarterly basis as part of the Portfolio and Risk Report and as part of discussions on the MD&A and financial statements. An annual report is provided to the Audit Committee via the Financial Risk Management and Capital Adequacy position, including updates on the current and projected capital adequacy position, including stress testing. Capital adequacy projections are also provided in SBOs and annual updates.
Element 4: IFC actively monitors its capital position. One of the primary metrics used by IFC is the Capital Utilization Ratio with a threshold of 88%. This measure is complemented by a range of other metrics. As noted in element 3.2.3, above, IFC currently uses the Capital Utilization Ratio (CUR) as a key metric for capital adequacy, comparing capital available versus capital required. This is a departure from the previous metric, Deployable Strategic Capital, which was a ratio of resources available versus resources needed. The financial statements from 2022 note that this change allows for better alignment with what is presented in the financial statements. Prior to the capital increase in 2018, IFC’s CUR (85.6% in FY16) had approached the limit of 88%. In 2018, shareholders agreed to a capital increase for IFC linked to the Forward Look: A Vision for the World Bank Group in 2018. The capital increase would equip IFC with the financial capacity necessary to maintain or expand their financing operations and implement the Forward Look.

IFC Annual Report FY22 (Volume 2 – Financials) has a discussion of IFC’s risk management framework and relevant policies (capital adequacy, leverage, liquidity and funding – as well as, for example, sustainability) and how it handles risk. IFC’s enterprise risk management framework is designed to enable the management of potential financial and reputational impacts that originate from the Corporation’s business activities.

In FY22, IFC updated its ERM framework to reflect IFC’s current risk profile and emerging risks. The framework defines:

- Key risk management objectives for managing risks;
- A standard classification of roles and responsibilities for risk management, to differentiate and thereby clarify how different parts of the Corporation contribute toward the overall management of risk through a well-defined risk governance mechanism;
- A risk appetite component to ascertain the level and type of risk that IFC is able and willing to assume in its exposure and business activities;
- An updated risk taxonomy for categorizing risks across the organization, to help ensure that risk management efforts are coordinated and aligned across the distinct parts of the organization that share responsibility for managing different aspects of risk; and
- Cross-cutting risk management principles to ensure that business decisions are based on a thorough understanding of risks and that risks and rewards are balanced appropriately.

Another principle is that IFC will be selective in undertaking activities that could cause significant adverse reputational impact.

IFC’s risk culture is central to all aspects of IFC’s risk management efforts. One of the key objectives of the framework is to embed a strong risk culture in the Corporation while ascertaining those tools and capabilities are in place to facilitate risk management and decision-making at different levels of the organization. This assessment uses the assessment of the ratings agencies, which consider IFC’s risk management framework a strength (S&P: “robust risk management practices”, “expected continuity of its robust risk management policies”; Moody’s “best-in-class risk management”).

MI 3.2 Evidence confidence

MI 3.2 Evidence confidence

MI 3.3: The MO’s decisions for investments and other operations and its delegation of authority balance responsiveness and fiduciary requirements.

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Element 1: An organisation-wide policy or guidelines exist which describe the delegation of decision-making authorities including scrutiny of investments and other operations at different levels within the organisation prior to approval.

Element 2: The MO’s policy/guidelines or other documents provide evidence of efficient processes for resource reallocation, including at country level, which balance responsiveness and fiduciary requirements.

Element 3: The MO’s evaluations or other internal reports demonstrate that delegated authority is being exercised according to existing policies.

Element 4: The MO has made efforts to improve or sustain the delegation of decision-making for investments and other operations in line with organisational priorities and client needs.
MI 3.3 Analysis

Element 1: An organization-wide framework exists that elaborates in detail how decisions are made. It was initially revised in FY19 to provide more authority to central industry departments and to other central units. As IFC increased its field presence, it was deemed more efficient to cede more decision-making authority to regional industry departments.

IFC has an organization-wide framework, the “Accountability and Decision-Making” (ADM) Framework that identifies in detail how decisions are being made. The framework provides separate matrices for Investments; PE Funds, VC Funds & Direct/Co-invest, and Advisory/upstream. The frameworks identify the mandatory reviewers and deciders at each stage. The ADM, introduced in FY19 (IFC Annual Report FY19 – AR-FY19, Strategy and Business Outlook – SBO – FY19-22) provided more decision authority to the central industry departments. The new ADM also introduced AIMM fully into IFC’s decision-making framework.

Overall, decision-making is under the direction of the Managing Director and the Management Team, which carries out its responsibilities through three Management Committees: (i) the Tier Three Project Committee (T3PC), which reviews new projects that meet certain risk criteria, oversees corporate portfolio performance, and approves new platforms or expansions of existing ones; (ii) the Corporate Risk Committee, which is primarily responsible for overseeing risks to IFC (institutional risk, asset-liability management, exceptions to mobilisation guidelines and new mobilisation platforms); and (iii) the Blended Finance & Donor Funds Committee, which oversees blended finance for investment, advisory service (AS) fundraising and allocations, as well as AS transactions involving sizable grant disbursements to external clients/partners (IFC-AR-FY22 – Financials).

Following the review period, interviews revealed that in FY23, the ADM was changed again to provide again more decision authority to the regional industry departments, following favourable feedback from IFC staff about inefficient business processes and lack of timely decision-making (FY22 Pulse Survey).

During COVID, IFC emphasized the use of interventions with shorter processing times (the Fast-Track COVID Facility, FTCF). In FY21, median mandate to first disbursement stood at 139 days for FTCF projects, against 313 days for non-FTCF (Management Response to the IEG early-stage evaluation of the COVID-19 response). Interviews indicated that IFC is now trying to apply lessons learned from the FCTF also to regular business to make internal processes fast and more agile. Stakeholders noted that processing enhancements, enabled by FTCF have been mainstreamed under the Expedited Processing for Existing Clients (EPEC) and have been operational since April 2022. IFC is also trying to speed up processes by working through platforms (see 3.2, Element 1 for a list of platforms), reducing the costs of doing business and processing timelines (SBO FY23-25).

Element 2: IFC has repeatedly revised its processes, seeking to make them more agile in terms of resource allocation. However, times from mandate to disbursement have not improved over the course of the assessment period.

IFC introduced the ADM in FY19 (see Element 1), hoping to improve the efficiency of its processes. While there is a Scorecard indicator (time from mandate to disbursement), this has not been reported consistently year to year. The available data show that timelines appear to have lengthened: In FY17, prior to the introduction of the new ADM, the processing time for investment projects was 195 days, in FY21 it was 262 days. Public data appears to also indicate that timelines have lengthened, not shortened (see 3.1, Element 5). IFC Staff survey feedback – in both 2019 and 2022 – indicated that a minority of staff responded favourably to questions around the timeliness of decisions and IFC’s processes and procedures. This evidence was corroborated by feedback from IFC stakeholders at country level, who noted that IFC’s processes and investment decision-making have become more cumbersome over the assessment period.

Interviews highlighted certain drivers including the centralization of decision making in 2019, heavy administrative burdens introduced through AIMM and the splitting of E&S responsibilities (leading to sometimes two separate specialists checking the same deal) as having contributed to these inefficiencies.
In FY23, decision authority has been moved back to regional heads of industries (as opposed to central), which is hoped to increase efficiency and accountability at the regional level again. It is too early to tell whether these changes will indeed improve efficiency and whether they have any negative effects on quality, both of which should be carefully tracked.

According to the MOPAN survey, the majority of partners (79% favourable) agree that IFC staff have been able to respond to changing market conditions, adapting their strategy and activities in an agile and responsive way.

Element 3: IFC is broadly doing well with implementing its core processes systematically under delegated authority. Internal audit findings are overall positive, including with respect to continuity during COVID-19.

IFC-specific reports by the WBG Internal Audit Department (GIA) generally find that overall governance and processes in IFC work well.

This includes delegated decision-making and review throughout the assessment lifecycle. For example, GIA reports have concluded that processes were generally adequately designed and being implemented systematically both at the front end and during supervision with respect to IFC’s management of credit risk in the debt portfolio (GIA-FY21), legal compliance review function (GIA – FY20) and the assessment of Integrity Due Diligence (IDD) during appraisal. However, in the case of IDD GIA found that this process could be strengthened during supervision to avoid Integrity risks which arise over the life of the project (GIA-FY21). GIA found that, by September 2022, IFC had implemented all Management Action Plans related to the issues found.

GIA has also reported on different facets of WBG and IFC’s s COVID response through assurance reviews, finding that, overall, the WBG demonstrated several strengths regarding business continuity and crisis management which enabled a successful COVID-19 response. These included governance over crisis decision-making, a smooth transition to home-based work, support by shared services, and the development of an office reopening framework. (GIA Annual Report, FY 21)

An assurance review of IFC’s COVID Facility similarly found that IFC’s response was sufficiently well designed and operating effectively. “The assurance review concluded that IFC management has designed an effective Early Look process for implementing the FTCF. In particular, (i) the process to review and apply eligibility criteria for projects under specific components of the IFC response was sufficiently designed and operating effectively; and (ii) the decision-making process for projects followed a streamlined Accountability and Decision-Making (ADM) framework and was in accordance with the delegated authority approved by the Board.” (GIA Annual Report, FY21)

IFC Stakeholders confirmed that GIA recommendations for improvement are usually followed up, but that this has been made more difficult due to frequent staffing changes and reorganizations in IFC (a lack of continuity in key focal points make follow-up more challenging).
In 2018, IEG published an “Evaluation of IFC client engagement” and found that moving closer to clients and streamlining of decision-making authority “has seen relatively little progress” (IEG Client Engagement Evaluation 2018). Specifically on this evaluation, IEG found that while there had been some progress on upstream activities, there were significant delays in implementation of the action plan addressing the recommendations (IEG Validation of the Management Action Record – Mar FY22) because of the COVID pandemic. However, it is important to note that this evaluation covers only the very beginning of the assessment period.

Element 4: IFC has made efforts to improve or sustain the delegation of decision-making for investments and other operations in line with organisational priorities and client needs.

Over half (56%) of staff are now located outside of HQ and an even higher share of operational staff (70%). IFC has tried to maintain the quality and common standards of a centralized model during its decentralization, while increasing the empowerment, risk taking, and innovation of a decentralized model.

Evidence from evaluations suggests that IFC’s efforts to decentralise and delegate decision-making authority face trade-offs between agility and responsiveness on one hand and accountability on the other. A 2022 IEG Evaluation “Enhancing the World Bank’s Global Footprint” indicated that decentralisation and delegation of decision-making to senior managers in the field has had mixed effects. However, it is important to note that this evaluation did not evaluate IFC’s decentralisation efforts but synthesised and used lessons learned from IFC’s experience to better understand the World Bank’s experience. There was no systematic evaluation of IFC.

On one hand, decentralisation was noted to have increased agility and responsiveness to clients. On the other hand, concerns were raised at the outset of the assessment period around IFC Regions operating in siloes and taking greater risks. These concerns, alongside a deep dive review of declining IS development outcome and AS development effectiveness results led to a review of IFC’s ADM to help increase accountability for up-front work quality for AS and IS projects. Although work quality indicators have demonstrated better performance, IEG notes that stakeholders felt that the reforms dilute accountability by involving more people in decision-making and lengthened processing times, with staff feeling less empowered to provide quick responses to clients. (IEG’s 2022 Evaluation of “Enhancing the World Bank’s Global Footprint”)

IFC Stakeholders at country level corroborated this evidence, indicating that processes had become heavier and less agile, partly due to the introduction of A1MM, illustrating these potential trade-offs between valuable corporate accountability tools and agility in decision-making.

Investment platforms and framework initiatives such as the Fast-track COVID-19 Facility provided an alternative means to respond to client needs in a crisis context. IFC developed a fast-track financing mechanism to help companies affected by the outbreak of the pandemic (IFC’s Board approved USD 8 billion in fast-track financing), including for example deploying 360-degree cameras for virtual project appraisals and monitoring (IFC SBO 22-24, 2021). Interviews indicated that this has led to significant improvements in timeliness and lessons are now being applied also to other operations. In FY21, median mandate to first disbursement stood at 139 days for FTCF projects, against 313 days for non-FTCF (Management Response to the IEG early-stage evaluation of the COVID-19 response).

MOPAN survey results indicate that stakeholders expressed generally favourable perceptions (55%) regarding how IFC leveraged new and existing mechanisms to respond to client needs during the pandemic, though 39% indicated that they were not sure.
Interviews confirmed that in FY23 (i.e., beyond the review period for this assessment) IFC has returned decision-making authority from the centre to the regional heads of industry through new reforms to the ADM introduced in FY2023. This brings IFC decision making closer to the client and speeds response times when staff do not have to revert to HQ staff and management. It is too early to assess the effects of this decision on efficiency and quality of decision-making.

MI 3.3 Evidence confidence

High Confidence

MI 3.4: The MO’s HR systems and policies are performance-based and geared to the achievement of results.

<table>
<thead>
<tr>
<th>Element</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>3.00</td>
</tr>
<tr>
<td>Element 1: The MO has a system in place that requires all staff, regardless of seniority, undergo a performance assessment.</td>
<td>3</td>
</tr>
<tr>
<td>Element 2: There is evidence that the performance assessment system is implemented systematically by the MO for all staff in line with the required frequency.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: The MO’s performance assessment and incentives systems are linked to organisational priorities around financial performance, additionality and impact as outlined in the strategic vision.</td>
<td>3</td>
</tr>
<tr>
<td>Element 4: The MO’s staff performance assessment is applied in decision-making on promotion, incentives, rewards etc.</td>
<td>3</td>
</tr>
<tr>
<td>Element 5: The MO has a clear process in place to manage disagreement and complaints regarding staff performance assessments.</td>
<td>3</td>
</tr>
<tr>
<td>Element 6: The MO has processes in place to support Diversity, Equity and Inclusion (DEI) in the workplace.</td>
<td>3</td>
</tr>
<tr>
<td>Element 7: The MO has processes in place to assess staff engagement and the working environment, including measures to report and follow up on identified issues in a transparent manner.</td>
<td>3</td>
</tr>
</tbody>
</table>

MI 3.4 Analysis

Element 1: All IFC staff are required to undergo an annual performance review (at least once in a 12-month period). This applies to all Staff holding Regular, Open-Ended, Term, and Local Staff Regular appointments.

During performance reviews, priorities and expected results are determined for the next review period. The review tool for managers is called IMPACT. IFC Stakeholders indicate that IMPACT is now used for both development and as input for performance assessment in FY23 subsequently to use it also for accountability. It is similar to a 360 exercise with all direct reports, peers, and clients providing feedback, however the self-assessment and supervisor assessment is done through the ePerformance system. All tagged managers have to undergo this. According to IFC’s Human Resource (HR) Department, the feedback used in IMPACT has proven valuable in gaining better insights into the performance of managers. To ensure objectivity and confidentiality results are not provided to HR panels for hiring. Results are a learning tool for
Managers and a basis to set individual objectives. They inform the discussion between the employee and the reviewer.

**Element 2: The directive governing the staff performance management process does not allow for any exceptions in application.**

In cases where minimum standards for performance are not met, a staff member’s manager or direct supervisor will either consider reassignment to another position, discuss and document opportunity to improve unsatisfactory performance, or request a health assessment if deemed necessary. In terms of discussing opportunities to improve, the manager/supervisor will provide in writing:

i. the aspects of performance that are not satisfactory; and
ii. guidance on what improvement is expected and by when, and
iii. the possible consequences of failure to improve (WBG, Staff Rule 5.03. 2020).

**Element 3: The performance assessment process uses the IMPACT tool to provide richer data on managers’ contributions to the organization, as well as individual strengths and opportunities for improvement.**

Employees are incentivized to be better corporate citizens when the feedback comes from sources who cannot benefit or suffer by providing honest feedback.

One of the goals of the staff performance review, as stated in the WBG Directive, is to identify learning and development needs. One of the primary objectives of IMPACT is to identify issues to address and training to be provided, while informing the performance assessments and encouraging corporate contributions. The IMPACT exercise is anonymous and is managed by an external vendor.

**Element 4: Staff performance assessments are used in decision making on promotions, incentives, rewards and sanctions.**

IFC has a real time assessment mechanism (through on-going feedback and regular check-in conversations) which allows for staff to be assessed throughout the year. This suits the Investment Departments which assign staff to various deal teams and allows for feedback as deals progress and close.

Staff members that receive ratings of 4 or 5 during their annual review will receive a performance-based award. Only select staff members who received a performance rating of 3.5 are eligible for performance-based awards, based on available budget and manager discretion. Staff members that receive a performance rating of 1, 2 or 3 are not eligible for this individual performance-based awards. Annual increases are dependent on the staff member’s performance rating and their positioning on the salary scale. Staff members who receive ratings of 1 or 2 are ineligible for receive annual pay increases. To curb ratings inflation, managers must grade their staff on a curve.

Staff receiving 2 or below will be put on a “performance improvement plan” which requires managers to document work objectives, progress and results in detail—to be discussed and adjusted throughout the year. Failure to improve performance can potentially result in termination, transfer or reassignment. Unsuitable recent hires are identified by their managers/direct supervisors during the probationary period and are recommended for ending their employment or non-confirmation of their appointment. This is not common, but it does occur; HR reportedly invests a lot of team effort to vet candidates and reduce the likelihood of a poor hire.

IMPACT results for managers are not used when they apply for a new position. Exclusion of the feedback was seen as a way to keep IMPACT functioning in terms of confidentiality and objectivity. It was seen as primarily for “personal development”. It was also seen that keeping IMPACT out of new hiring decisions levelled the playing field between external and internal candidates. However, interviews with staff and the staff association pointed to the side effect that there seemed to be little consequences of poor feedback on managers, either through the IMPACT tool or from staff surveys.
Element 5: Disagreements or complaints relating to the staff performance management process are addressed through a clear process.

First, these disagreements are addressed by the Administrative Review of Performance Management Decisions. The review is "conducted by the World Bank Group Human Resources Vice President, or an official designated by the World Bank Group Human Resources Vice President, who considers whether management acted within its discretion, satisfied its obligations to the staff member, and followed proper procedures in connection with the Performance Management Decision under review" (Staff Rule 9.06).

An administrative review must be completed before a Performance Management Review (conducted by a neutral reviewer) can be requested. Administrative tribunal is the last resort for the resolution of cases submitted by staff (decisions are public). Retaliation against anyone using these review processes is prohibited. Allegations of retaliation are to be reported to the Office of Ethics and Business Conduct (EBC). If these allegations are substantiated, the Bank's HR VP "may offer relief, compensation or other corrective measures to the staff member who suffered the retaliation, discrimination or harassment, without requiring the staff member to seek Administrative Review or Performance Management Review. Such corrective measures will be provided in consultation with the staff member" (Staff Rule 9.06).

Staff may further contest the finding through the Internal Justice System up to final resort of the World Bank's Independent Administrative Tribunal (with decisions published on the WBAT website). The WBAT is an independent judicial forum of last resort for hearing allegations of non-observance of employment contracts or terms of appointment. The Statute, rules and procedure for the Administrative Tribunal is available publicly, with complaints needing to be filed within 120 days of the alleged incident. Furthermore, the WBAT produces an annual report presenting caseloads, trends and decisions for notable cases. Cases heard by the administrative tribunal have been stable over time with 25 cases filed in FY22 and 27 cases filed in FY21.

Retaliation against anyone using these review processes is prohibited and any allegations of retaliation may be reported to the Office of Ethics and Business Conduct (EBC). In the case of retaliation, discrimination or harassment in connection with performance review decisions, staff may submit an application directly to the Administrative Tribunal.

Element 6: IFC has processes (commitment statements, code of conduct, indicators, taskforces) in place to support Diversity, Equity and Inclusion (DEI).

According to the WBG’s Statement of Commitment to Diversity and Inclusion, the WBG is "committed to fostering and strengthening diversity and inclusion in both [its] work and [its] workplace. [It is] committed to a workplace where everyone is valued, where differences are respected and celebrated, and where opportunity and equitable treatment is afforded to all. Ensuring diversity is integrated into [its] daily work means creating a culture and practices that recognize, value and harness what makes every individual unique in the broader sense, by acknowledging and respecting differences including nationality, gender and gender identity, race, religion, ethnicity, age, sexual orientation, disability, and educational background."

Support for diversity and inclusion is reiterated in the Staff Code of Conduct. According to interviews, a tool was developed to gather demographic data from staff, IFC has a 60 percent completion rate. Without demographic data it is impossible to assess IFC's trend in terms of diversity and inclusion.

The WBG’s consolidated Corporate Scorecard includes indicators and targets for staff diversity and inclusion based on a set of 4 indicators. The inclusion indicator is comprised of 3 attributes based on 7 questions in the Staff Engagement Survey. IFC has identified targets for diversity: Women managers (target 50%); Part II managers (target 50%); Women GF+ Technical (target 50%); and Sub-Saharan/Caribbean GF+ (target 12.5%). IFC’s Inclusion Index has increased by 3 percent since 2016 (IFC, 2023, Diversity, Equity, and Inclusion – FY22 Annual Report), from 60% in FY16 to 63% in FY22. These targets were reported in IFC’s 2021 annual report, but not in the 2022 annual report. A challenge has been noted in reporting consistently on this information due to inconsistent provision and collection of demographic information among staff.
Since the FY21-23 SBO, IFC has only reported the gender balance index (GBI) under its diversity indicators. IFC’s gender diversity index has been revamped in recent years and now looks at gender distribution across four categories of staff from junior level and administrative support to high-level technical support and managers. There is an expectation of 50/50 gender representation at each level. The index is a weighted average of the gender balance at each level, with greater weight being given to the balance at the levels of managers and high-level technical staff. The GBI increased five percent since FY18 (IFC, 2023, Diversity, Equity, and Inclusion – FY22 Annual Report).

Several tangible efforts have been made to improve workplace culture, reinforce diversity and inclusion and address harassment. A major effort was done over the past 15 years to achieve gender equality in senior management (Director and above) positions and to close the pay gap. The Gender Pay Gap Analysis found that there is no statistically significant difference in pay between men and women at IFC HQ and country offices (IFC, 2023, Diversity, Equity, and Inclusion – FY22 Annual Report). Several taskforces have been established to address emerging issues around harassment, retaliation and abuse of authority arising from the "Doing Business" scandal and the WBAT Ruling 648 on sexual harassment. These include:

- Establishment of the WBG Taskforce on Racism on June 2020;
- Creation of an Anti-racism Office in the Office of the Anti-Harassment Co-ordinator; and
- Creation of the WBG Taskforce on improving Organisational Culture.

Analysis undertaken by the Ethics and Business Conduct (EBC) Unit and the Taskforce on Racism identify important challenges in addressing fear of retaliation, which accounts for approximately one third of complaints to the Bank’s Anti-Harassment Co-ordinator. The Taskforce on Racism identified a compendium of recommendations for the WBG to promote diversity, equity and inclusion in 2021. These recommendations include measures to:

- strengthen staff rules around retaliation;
- provide adequate resourcing to support the function of the Anti-racism Office;
- enhance analysis of use of the Internal Justice System, EU Unit, Ombudsman and Staff Association with respect to Racism; and
- diversify appointments across the Internal Justice System, EU unit and Ombudsman Office; and
- develop targeted training for key staff groups, including Human Resources, Managers, Task Team Leaders and general staff.

In 2021, the World Bank Group developed an Anti-Racism Charter, based on the recommendations from the Anti-Racism Taskforce. The Charter is based on six key principles:

(i) The World Bank group commits to zero tolerance of racism and racial discrimination in all forms and contexts;
(ii) Tackling institutional racism and racial discrimination in all forms and contexts is fundamental to achieving the World Bank Group’s twin goals of eradicating extreme poverty and boosting shared prosperity;
(iii) The World Bank Group commits to tackling racism and racial discrimination and promoting equality and equity for all with respect to its organization and management, including in decisions regarding recruitment and talent development;
(iv) The World Bank Group seeks to promote the inclusion of all and to tackle racism and racial discrimination through the projects, programs and investments it finances in order to respond effectively to development challenges and promote sustainable development;
(v) The World Bank Group seeks to promote inclusion and tackle racial discrimination in the communities in which we live and work through effective community engagement; and
(vi) The World Bank Group recognizes that racism and racial discrimination are morally condemnable, contrary to our Core Values, and illegal under both international law and the laws of most of its member countries.

Element 7: There are multiple touchpoints where staff are able to express their thoughts about the IFC and its working environment, including a regular staff survey, anonymous 360 evaluation and pulse surveys. Management action plans are expected to address issues identified in staff surveys, but few staff responded favourably on the follow-up.
The last full staff survey was conducted in 2019 and a partial “pulse” survey was conducted in 2022. According to interviews, follow-up to the 2019 survey was put on hold due to COVID. IFC Stakeholders indicate that the response rate for the survey is high, with 70% of staff participating.

There were areas with highly positive feedback, including (i) not having personally experienced sexual harassment and the WBG creating an environment where harassment is not tolerated; (ii) being proud to work at the WBG and understanding how their work contributes to the WBG goals; and (iii) being comfortable with the WBG actions to ensure personal safety and security, both at duty station and during travel. (Source: WBG Pulse Survey 2022; Interviews with HR and Staff Association).

However, results are more mixed for other drivers of engagement, including competitive pay. On offering competitive pay, a minority of IFC respondents provided a favourable rating. This rating has declined since 2019. The causes for the decline are uncertain, but an interview with the staff association pointed to a change in the comparators (that affect salary increases) as possible cause.

The staff surveys are actively used to identify and address emerging staff engagement issues. Follow-up on management action plans is tracked by the Human Resources VPU, with IFC providing evidence that management action plans had been created following the 2019 survey and that the majority of proposed actions had been implemented, with a limited number of areas where implemented was assessed as “ongoing.”

### MI 3.4 Evidence confidence

<table>
<thead>
<tr>
<th>KPI 4: Organisational systems are cost- and value-conscious and enable financial transparency and accountability</th>
<th>KPI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>3.48</td>
</tr>
</tbody>
</table>

IFC has cultivated strong internal controls and safeguards, promoting transparency, accountability and proactive risk management. Internal control functions such as audit increasingly moving beyond good practice to implement more proactive, preventative approaches. IFC has clear criteria governing the approval of its operations which are applied flexibly to allow for adaptation in difficult contexts. These include clear criteria and governance structures supporting the use of blended finance in line with good practice. Clear policies and procedures are in place to address fraud and corruption among staff and conduct “integrity due diligence” (IDD) for all business clients. Risk management and oversight of legal covenants and disbursements are implemented systematically throughout the investment cycle. Good progress has also been made in implementing corporate commitments to prevent and respond to Sexual Abuse and Exploitation and Sexual Harassment (SEAH), including through new risk assessment tools, research and analysis. However, scope remains to enhance IFC’s Knowledge Management governance and stakeholder engagement and client capacity building for management of grievance mechanisms.

### MI 4.1: Transparent decision-making for resource allocation, consistent with strategic priorities over time (adaptability)

<table>
<thead>
<tr>
<th>Overall MI rating</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfactory</td>
<td></td>
</tr>
</tbody>
</table>

| Overall MI score | 3.60 |

| Element 1: An explicit organisational statement and/or policy is available that clearly defines criteria for identifying and approving investments and other operations based on additionality, financial sustainability and development impact as appropriate. | 4 |
| Element 2: The MO’s highest priority themes/countries/areas of intervention are set out in the current strategic vision and are assessed at the portfolio-level. | 4 |
| Element 3: The MO’s approval criteria are flexible and allow for adaptation in different contexts and as market conditions change. | 3 |
| Element 4: The MO’s strategy is regularly reviewed and updated reflecting portfolio level reviews and results. | 3 |
| Element 5: The MO has processes in place to assess the economic rationale for applying blended concessional finance in accordance with the DFI Enhanced Blended Concessional Finance Principles for Private Sector Operations. | 4 |
### MI 4.1 Analysis

**Element 1: Organizational statements clearly defining criteria for identifying and approving investments based on additionality, financial sustainability and development impact are present.**

IFC’s Articles of Agreement, available publicly online, outline the type of operations in which IFC can engage and stipulate that IFC is to make investments in "productive private enterprises in the territories of its members." This criterion is reiterated on the Application Page for financing. The application page for financing projects notes that in addition to the criteria of being a private sector investment in IFC member countries, funding is determined based on considerations that the project is: technically sound; likely to be profitable; beneficial to the local economy; and environmentally and socially sound (satisfying both IFC and host country environmental and social [E&S] standards). Information on the project cycle confirms that during appraisal investment teams assess the full business potential, risks, and opportunities associated with the investment, including whether the investment is financially and economically sound, in compliance with IFC’s E&S Performance Standards, considers lessons from prior investments, and contributes to the improved sustainability of the project or enterprise.

Regarding additionality, “IFC’s Additionality Framework is fully aligned with the MDB’s Harmonized Framework, while aiming to introduce more rigor to IFC’s assessments of additionality” (IFC: Guidance: Implementation of IFC’s Revised Additionality Framework, 2019), as quoted in IEG’s Evaluation of IFC’s Additionality in MICs (2023). IEG found that “IFC’s additionality framework and accompanying guidelines for staff provide the basis for clarity and rigor in articulating additionality in investment project approval documents. Additionality is a threshold condition that needs to be met for IFC to engage in any transaction. Through discussions with prospective clients and the development of the project concept, IFC assesses additionality in accordance with the Additionality Framework. Project documents throughout the investment cycle articulate additionality according to corporate guidelines. Furthermore, its internal review process enhances the quality of additionality claims. For advisory services, IFC applies a similar process, assessing "role and contribution", a slightly broader concept than additionality (since it does not look at market comparators). IFC’s additionality framework is described in greater detail in KPI 10.

Regarding financial sustainability, the WBG internal auditor (GIA) found for IFC’s debt portfolio that “Credit risks are identified, assessed, and monitored throughout the project lifecycle with defined roles and responsibilities.” (GIA Annual Report FY21). Credit risk is identified ex-ante (and throughout the project cycle). "The credit risk of loans is quantified in terms of the probability of default, loss given default and exposure at risk. These risk parameters are used in the processes to determine risk-based returns, project-based capital allocation and internal risk management purposes, as well as for establishing allowances against losses on loans under the new Current Expected Credit Losses accounting standard, and exposure limits.” (IFC Annual Report FY22 – MD&A) This function, alongside IFC’s other mechanisms for addressing operational risk are described further in KPI 5.

IFC assesses its performance against a triple bottom line of development impact, social/environmental sustainability and financial performance. Each of these dimensions is systematically assessed and tracked in IFC’s systems using the AIMM methodology (AIMM guidance note, page 2, 2019), IFC’s Sustainability Framework, and financial return estimation tools. For development impact, defines the criteria being considered, and applies over two dozen different sector frameworks. AIMM assessments provide quantitative scores which can be monitored at the project level and aggregated at the portfolio level for management to monitor portfolio alignment with strategic direction and development goals. IFC applies a “portfolio approach”, mapping development results (AIMM scores) against RAROC (financial returns).

Maximising development impact and generating and maintaining sufficient financial resources by conducting business and managing risk consistent with the standards implied by a triple-A credit rating are also among the fundamental risk principles of IFC’s Enterprise Risk Management Framework, operationalised through its credit risk and strategic and business risk domains.
MOPAN survey results indicate that stakeholders are generally favourable (74%) regarding the balance between financial performance and the achievement of development impacts (see chart below).

Element 2: IFC’s highest priority themes, countries and areas of intervention are set out in the current strategic vision and are assessed at the portfolio-level, using IFC’s Corporate Scorecard and the AIMM strategic framework. IFC’s country strategies reflect these priorities and align them with Country Partnership Framework. The scorecard and AIMM are adapted to reflect changes in IFC’s strategic priorities and the Country Partnership Framework.

The AIMM Framework and Portfolio Approach

Alignment with sector and thematic priorities is considered throughout the design of operations. The AIMM System is intended to provide a “clear line of sight from IFC’s mandate, through intermediate corporate objectives, to the World Bank’s goals and the Sustainable Development Goals (SDGs).” (IFC’s Contribution to the Sustainable Development Goals (2018)) AIMM scores for projects are considered as part of the project selection process, with stakeholders confirming that projects that align to sector strategies and priority themes such as gender and climate tending to receive higher AIMM scores. Projects with high AIMM scores are prioritized by staff and management during business development.

AIMM ratings consider the market outcomes of a project, considering how the project improves the structure and functioning of markets and specifically looking at how it promotes competitiveness, resilience, integration, inclusiveness and sustainability. These are viewed through one of four channels through which these changes flow: market enabling, innovation and competition, demonstration and replication, and capacity building. AIMM ratings are used to better select and design interventions. In order “to assess the impact at each level of the project components, the Framework maps the intensity of each impact and its corresponding development gap to yield a component rating,” see figure below. It “shows how the evidence-based intensity of impact and the development gap translates into individual project outcome component assessments” (IFC 2019, AIMM GENERAL GUIDANCE NOTE PROJECT ASSESSMENT AND SCORING GUIDANCE NOTE).

Figure 8. AIMM Scoring and Rating Matrix

<table>
<thead>
<tr>
<th>Project dimension</th>
<th>Gap addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>Significantly above average</td>
<td>Strong</td>
</tr>
<tr>
<td>Above average</td>
<td>Moderate</td>
</tr>
<tr>
<td>Average</td>
<td>Moderate</td>
</tr>
<tr>
<td>Below average</td>
<td>Marginal</td>
</tr>
</tbody>
</table>

Source: IFC 2019, AIMM GENERAL GUIDANCE NOTE PROJECT ASSESSMENT AND SCORING GUIDANCE NOTE
IFC uses portfolio ratings within the AIMM system to help “balance strategic priorities in pursuit of the portfolio approach, which seeks to maximize development impact consistent with the need to generate sustainable, risk-adjusted financial returns”. (AIMM Brochure)

Stakeholders report that AIMM scores provide an important incentive for addressing thematic priorities such as gender. Within AIMM, a project that provides evidence of a substantial effect on gender gaps will receive a higher project score, which is considered in review meetings. Interviewees reported that an increased score in AIMM creates an incentive for projects to seek to close gender gaps.

**IFC Scorecard Indicators**

Strategic priorities that are in the IFC Corporate Scorecard are closely followed and it is one of IFC’s most important strategic tools. The tracking of scorecard indicators and flags for gender, climate and FCS have been combined with staff and managerial incentives and have correlated with positive growth in these areas. For example, for climate the scorecard indicator of percent of long-term finance projects focusing on climate (target: 35%) was closely tracked and achieved ahead of time.

As discussed in KPI 1 and 2, IFC’s scorecard indicators over the period have been aligned to thematic priorities from IFC 3.0 and CIP Commitments, including:

- Gender “flagging” of projects by operational staff (reported until FY20);
- Proportion of IFC’s own account Long-term Finance devoted to Climate;
- For creating markets, there is also a scorecard indicator for “very strong” market creation potential as rated in AIMM.

With respect to increasing IFC’s investments in FCS, there used to be a separate indicator in IFC’s Scorecard, expressed in numbers of projects for long-term finance (LTF) and short-term finance (STF – active trade accounts) which was reported up to FY16. Subsequently FCS was no longer presented separately in the scorecard but mixed with low-income (LIC) IDA countries. Scorecard targets then subsequently expressed IFC’s commitments in FCS and IDA LIC as percentage of LTF commitments. IFC stakeholders report that these changes were intended to reflect the large degree of overlap between FSC countries and IDA LIC, with both groups often facing similar challenges for private sector investments. Despite these changes over time, increased investment in FCS has been a fixture of IFC’s corporate scorecard over the assessment period.

However, scorecard indicators typically address inputs and alignment of IFC operations ex-ante rather than ex-post results.

MOPAN survey results reflect that stakeholders generally agree (14% strongly agree, 48% agree, and 23% somewhat agree) that IFC is selective, targeting sectors where it can best contribute to growth and market creation.

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**Q4[03] IFC’s work [in COUNTRY] is selective, targeting sectors where it can best contribute to growth and market creation.**

![Survey Results Chart]

- Strongly agree
- Agree
- Somewhat agree
- Somewhat disagree
- Disagree
- Strongly disagree
- Don’t know / No opinion

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Element 3: IFC’s approval criteria are flexible and allow for adaptation in different contexts and as market conditions change. It has many programs to allow adaptations to difficult market conditions and its COVID Response demonstrated how IFC was able to quickly and flexibly adapt its support.

IFC has several windows and programs to support investment in priority markets, including the Private Sector Window (PSW), the Creating Markets Advisory Window (CMAW), and the Managed Co-Lending Portfolio Program (MCPP).

As described in KPI 1, The PSW is used to crowd-in private sector investment where it is most needed by rebalancing the risk-reward profile for private sector projects in the poorest countries eligible to borrow from IDA and Fragile and Conflict-Affected Situations (FCS). The CMAW is a three-year funding window established to allow IFC to respond to increased demand for advisory services in IDA/FCS, intended to facilitate the implementation of the IDA PSW. The MCPP allows IFC to leverage IFC’s origination capacity and deep market knowledge to source opportunities for co-lending, creating diversified portfolios of emerging market private sector loans. These are complemented by an FCS risk envelope which allows IFC to support projects which fall outside of IFC’s normal risk tolerance and the Africa Fragility Initiative (AFI), a USD 74 million donor-funded programme providing advisory and investment support aimed at generating business development. The AFI builds upon IFC Conflict Affected States in Africa (CASA) Initiative which ended in 2021.

The PSW has clear criteria in terms of country eligibility, strategic alignment, and that investments follow principles for concessionality (additionality, minimizing subsidies and market distortions, leading to sustainability). All IDA/FCS clients have access to the CMAW, although it gives priority to PSW-eligible clients. As noted in KPI 1, beyond the PSW, IFC also manages nearly 20 additional blended finance donor funds linked to different priority themes such as climate, agribusiness, supporting SMEs and gender that support investments in challenging markets and sectors.

IFC’s Response to COVID in the form of the Fast-Track COVID Facility demonstrated how IFC was quickly able to adjust its program to changing market conditions. IFC’s Fast Track COVID-19 Facility (FTCF) was composed of five programs/envelopes to help existing clients overcome the effects of the COVID pandemic. The facility covered all regions and a wide range of sectors (financial, health and pharmaceuticals, agribusiness, services, infrastructure etc.). The FTCF was part of the WBG COVID-response and aligned with WBG Policy Commitments. From April to December 2020, “IFC delivered financing of USD 21.8 billion including mobilisations and short-term finance. This includes USUSD 4.5 billion from the IFC Fast-Track COVID-19 Facility (FTCF) encompassing trade finance (Global Trade Finance Program – GTFP) commitments, direct financial support for existing real sector clients, and working capital solutions to small and medium-sized enterprises (SMEs) through local financial institutions.” (IFC SBO FY22-24). Stakeholders note that the FTCF was a key innovation allowing IFC to enhance responsiveness and agility by delivering through a platform function.

Element 4: IFC’s strategy is regularly reviewed and updated. IFC takes into account portfolio level results in the context of its annual Strategy and Business Outlook (SBO) and Budget Paper (BP).

IFC has a detailed process for updating its strategy annually in the form of SBOs. The SBO typically reports on IFC’s Scorecard results, and sometimes results are being presented in IFC’s Budget Papers (BP), which typically are published about 2 months later.

Financial results (e.g., RAROC for the debt portfolio or equity returns against a benchmark) are also reported in IFC’s Scorecard and thus also in IFC’s SBO. SBOs also consider key metrics such as the Budget Coverage Ratio, which reflects the interplay between the IFC’s debt portfolio income and administrative budget.

There have been tangible examples where portfolio-level results and indicators have influenced changes in strategy and business practices. For example, at the beginning of the review period (2017), a negative trajectory for development outcomes of investment and advisory services triggered a joint deep-dive by IEG and IFC Management analysing the reasons (mainly related to IFC work quality) and an action plan to address them. This resulted in significant improvements in some areas. Stakeholders noted that after growing the equity business substantially after the global financial crisis, a move was made to liquidate investments in
light of reduced capital adequacy leading up to the CIP. More recently, declining development outcome ratings in FCS have triggered a deep dive review to identify possible drivers (see KPI 9).

Element 5: IFC has processes in place to assess the economic rationale for applying blended concessional finance and identifying blended finance pricing in accordance with the DFI Enhanced Blended Concessional Finance Principles for Private Sector Operations.

The documentation notes that decisions for applying blended concessional finance use a ‘disciplined and targeted approach’ in line with the DFI principles created by the DFI Working Group on Blended Concessional Finance for Private Sector Projects, of which IFC is the chair. These include: (i) Rationale for Blended Concessional Finance: Contribution that is beyond what is available, otherwise absent from the market, and should not crowd out the private sector; (ii) Crowding-in and Minimum Concessionality: Contribute to catalysing market development and mobilisation of private sector resources, with concessionality not greater than necessary; (iii) Commercial Sustainability: Impact achieved by each operation should aim to be sustainable and contribute towards commercial viability; (iv) Reinforcing Markets: Addresses market failures effectively and efficiently minimizes the risk of market distortion or crowding out private finance; and (v) Promoting High Standards: Promote adherence to high standards, including in areas of corporate governance, environmental impact, integrity, transparency, and disclosure.

Blended finance pricing is based on the project-specific risks and market failures being addressed by blended finance, the return expectation of the contributors of concessional funds, and the blended finance structures selected to help de-risk the project and improve its bankability. These factors drive the extent of concessionality required. IFC also benchmarks against past comparable blended finance transactions. IFC measures the level of subsidy based on the present value of cash flows to the donor based on a reference price and return expectations for an instrument similar to the one the donor provides. Two discount rates may be considered: (i) an internal discount rate based on project-specific information and risks; and (ii) an external discount rate following the OECD methodology for IDA calculation.

<table>
<thead>
<tr>
<th>MI 4.1 Evidence confidence</th>
<th>Medium Confidence</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>MI 4.2: The MO’s planned investments and other operations are disbursed in accordance with internal policies and pre-agreed conditions set out in investment or advisory agreements.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>3.00</td>
</tr>
<tr>
<td>Element 1: The MO has set clear timelines, conditions, and clearance processes for disbursement of planned investments and other operations.</td>
<td>3</td>
</tr>
<tr>
<td>Element 2: The MO has processes in place to monitor legal agreements for investments and other operations to identify problems and intervene as appropriate.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: Clear reasons, including changes in context or the client’s situation, are documented for any variances against conditions set out in legal agreements.</td>
<td>4</td>
</tr>
<tr>
<td>Element 4: The MO has processes in place to learn lessons and promote the timely and effective implementation of future investments.</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MI 4.2 Analysis</th>
<th>Source document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Element 1: IFC sets timelines, conditions, and clearance processes for disbursement of planned investments and other operations.</td>
<td>25, 26, 27, 29, 107, 113, 211, 217, 227, 262, 274, 287, 295, 296, 297, 300, 301, 302, 303, 318</td>
</tr>
</tbody>
</table>
Report found that this process is well designed and working as intended, supported by integration of legal counsel into project teams throughout the investment lifecycle.

Following disbursement, the Investment department is responsible for regular project supervision with supervision frequency (i.e., quarterly, semi-annually, or annually) based on a project risk tier. Supervision is overseen by the Credit department. During the project life, regular reports on financial and social and environmental performance are submitted by the client. Progress on a project’s contribution to development against key indicators identified at the start of the investment cycle is tracked by IFC over the course of the investment. Projects are scrutinized quarterly by Investment department staff. Supervision includes review of financial results and project risks. Information is captured in a quarterly risk rating document that quantifies project risks according to a robust rating system. IFC conducts a more detailed review annually, examining all aspects of project performance, including development impact, and following up to ensure the project complies with social and environmental standards.

Another key indicator linked to timely disbursement is droppages and cancellations. IFC has historically reported publicly on these figures, particularly given their impact on profitability and efficiency. Stakeholders confirm that droppages and cancellations continue to be monitored at the global level and a study was recently finalised as to the driving causes. Information on droppages, prepayments and cancellations is provided quarterly to IFC management and the Board’s Audit Committee through Quarterly Portfolio Risk Reports, including reasons for cancellation.

Finally, IFC’s Global Portfolio Management team compiles investment compliance metrics across a random sample of operations to monitor timely completion of key portfolio deliverables (discussed further in KPI 11).

Element 2: The MO has processes in place to monitor legal agreements for investments and other operations to identify problems and intervene as appropriate.

IFC’s Accountability and Decision Making (ADM) Framework identifies a set of mandatory reviewers for IFC projects prior to commitment and disbursement, including legal officers, credit risk officers and equity risk officers. Following disbursement, Investments are monitored and reports produced quarterly and annually on compliance with conditions of Investment Agreements. Failure to comply is noted in reports and planned remedial actions documented. The credit department reviews risk ratings and serious issues of non-compliance would result in risk downgrading and an assessment of remedial action plans.

Credit Risk is a key domain of IFC’s risk taxonomy under its Enterprise Risk Management Framework. Legal, Regulatory and Compliance risk is identified as a key aspect of Operational risk management. GIA audits of IFC’s Management of Legal Risk (FY20) and IFC’s management of credit risk in the debt portfolio (FY21) indicate that both systems are designed effectively and implemented systematically; however, noted an issue pertaining to the delegation and timeliness of credit risk assessments.

Where clients experience financial distress, IFC's Department of Special Operations in the Risk and Finance Vice Presidency works to implement the restructuring, or possible recovery, of IFC’s exposure. Key metrics from IFC’s special operations are monitored and reported quarterly to senior management and the Board Audit Committee through Quarterly Portfolio Risk Reports.

Element 3: Reasons, including changes in context or the client’s situation, are documented for any variances against conditions set out in legal agreements, prepayments or cancellations. Internal audits concluded that overall IFC’s systems in this regard are working well.

As noted above, compliance with legal conditions is conducted systematically alongside regular credit risk assessments and these processes have been confirmed to be working effectively by Group Internal Audit.

Failure to comply with legal agreements is noted in project supervision documentation. Investment Departments have primary responsibility for project supervision. Their work is overseen by central corporate departments on portfolio, with legal and business risk functions available as needed. Each project has a dedicated team assigned by the Investment department. That team will review compliance and work with the legal department if they detect non-compliance, they work with the clients and others to cure instances
of non-compliance. The range of remedies is as simple as reminding the client of their responsibility to serve legal notice in more serious cases. Moreover, IFC has a Special Operations department (CSO) that seeks to resolve problems in IFC’s portfolios; typically, CSO is involved in workouts or serving of legal notice. In certain circumstances waivers are granted. In those cases, waiver memos are prepared cleared by credit and legal departments and signed off by management.

IFC monitors prepayments and cancellations, including associated reasons. Portfolio trends for prepayments and cancellations are monitored and presented in Quarterly Portfolio Risk Reviews. Reasons are tracked in terms of neutral reasons (e.g., through a pre-agreed mechanism) and non-neutral mechanisms (e.g., jeopardy cases, liquidity related reasons or negative developments). Non-performing Loans (NPLs) are also monitored closely as a proportion of IFC’s debt portfolio. Prepayments, cancellations and NPLs as a proportion of IFC’s portfolio were at more elevated levels in FY20 and FY21. Prepayments and cancellations remained high in FY22 before falling in FY23.

Element 4: IFC has processes in place to learn lessons for future investments. However, there are opportunities to harmonise various sources of lessons to support uptake for new investments and better define roles and responsibilities through approval of a Knowledge Management Strategy.

Lessons from projects are captured in several places. Uptake of lessons learned from past projects is documented in Implementation Plans for IS and AS projects. Furthermore, IFC supervision reports demonstrate that new lessons are identified in the course of investment supervision. What is less clear is how these lessons are collected systematically and managed centrally in a way that is accessible by staff.

Additionally, IEG (the Independent Evaluation Group) evaluates projects and prepares evaluation reports which include lessons learned. The projects evaluated by IEG are selected to provide a representative sample of about 40% of projects (e.g., by size, industry, region) and such projects are generally evaluated in the form of Expanded Project Supervision Reports – XPSRs – after projects reach early operating maturity. IEG lessons learned are aggregated in a database available to inform investment decisions. Also, financial and operational data of IFC investments is gathered and benchmarked. New business and portfolio managers, as well as the credit department, examine the data to improve decision making.

While the database of XPSR lessons is not public, IEG also provides “Insights” based on artificial intelligence, which summarizes lessons from project reports. However, according to stakeholders, these lessons are being provided too late in the project cycle (at the Investment Review Meeting, when significant resources have already been spent), rather than at the early review stage, when it is still easier to make a go-no-go decision.

IFC Stakeholders noted that on demand knowledge packages to help staff processing investments are now available, as well as sector notes containing lessons. The knowledge package taps IFC’s investment experience to inform decisions (e.g., whether to invest in a given sector in a given region, or how to structure a given transactions). Knowledge packages consist of information and links to relevant projects.

An internal audit report commented unfavourably on IFC’s knowledge management. “The objective of the audit was to evaluate the knowledge management (KM) approach that supports IFC operations across both the investment and advisory project lifecycles. The audit concluded that the changes being brought about by the IFC 3.0 Strategy require a more deliberate management of knowledge than in the past. The key components necessary for establishing, implementing, maintaining, reviewing, and improving an effective KM program were found to either not in place or not be well defined. These gaps were found to pose risks for IFC’s ability to improve project quality through the sustainable sharing of practices, expertise, and lessons learned. In addition, the KM technology, tools, and systems being developed do not yet support efficient cross-unit flow of knowledge at IFC. This makes retrieval of knowledge across the various information repositories a time-consuming activity and relevant knowledge may not be accumulated and disseminated systematically.

Since the audit in 2019, IFC has made progress in implementing its management action plan; however, progress has been slower than anticipated, with implementation standing at 55% after three extensions. A Knowledge Management Strategy and Implementation Plan has been drafted and circulated for
management comments but has not yet been approved. Upon approval of the Strategy, the Terms of Reference for management will be updated to reflect knowledge management responsibilities. The Strategy will also include a series of metrics, complementing existing metrics that reflect downloads, site visits and page views. A new standalone unit responsible for knowledge management was established in 2021. Job descriptions reflecting knowledge management responsibilities are currently being revised. In the medium term, knowledge management responsibilities will be incorporated into performance management objectives and indicators. These initiatives are complemented by a targeted communications campaign as well as existing tools such as "Knowvember" events and IFC search.

Going forward, IFC is positioning itself to implement a number of knowledge management technology enablers to enhance the identification, curation, access and uptake of lessons from operations. A new Knowledge Management strategic analytics team has been convened for this purpose. New tools in the process of development include the IFC OpsFinder, which will enable easy access to project information and lessons learned, building upon completed projects (the basic hub of this platform is expected to be launched in June 2024). Another platform under design is the IFC Lessons Platform, which will aggregate, collect, maintain and display relevant and curated IFC lessons learned, with Phase 1 to be delivered in FY24. Planning documents for this platform indicates that IFC staff will be able to read and submit lessons learned with departments responsible for curation.

Special Operations Department (CSO) has also developed a range of tools to capture lessons and knowledge gained in the course of its work on jeopardy projects. Their mandate is to resolve the problems and special issues in projects that are in distress to optimize IFC’s overall return while minimizing reputational risk and, where possible, maximizing developmental impact. CSO applies a systematic approach whereby to harvest tacit and explicit project knowledge and disseminate it across IFC to improve structuring of new investments and portfolio management and avoid typical pitfalls that put investments at risk. There is now an established and mandatory process to collect and disseminate lessons for projects that fall within special operations. Through this “lessons harvest”, each project must submit lessons learned, monitored and reported to management quarterly. Lessons are captured in a standardized manner through a standard template and are disseminated through the "Lessons explorer" (accessible to all staff), which can be searched by risk, country, region, industry, financial instrument, and time period. In particular, these lessons provide detailed information on Jeopardy Projects, from challenges to workout strategies implemented, and lessons learned along the way.

The finalisation of KM the strategy will be key to further strengthening an embedding roles, responsibilities and accountabilities around knowledge management and lesson learning across the institution. Going forward, IFC can build upon the technology platforms under design to provide an indication of the extent to which key lessons learned are being taken up in operations.

<table>
<thead>
<tr>
<th>MI 4.2 Evidence confidence</th>
<th>Medium Confidence</th>
</tr>
</thead>
</table>

**MI 4.3 Evidence confidence**

<table>
<thead>
<tr>
<th>MI 4.3: The MO applied principles of results-based budgeting.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>3.33</td>
</tr>
<tr>
<td>Element 1: The most recent organisational budget clearly aligns financial resources with strategic objectives and intended resources as well as the complexity of the operating context.</td>
<td>4</td>
</tr>
<tr>
<td>Element 2: The MO produces a budget document that provides clear costs for the achievement of strategic priorities.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: The MO has systems in place to track budget implementation and performance against projections, including for strategic priorities and cross-cutting themes.</td>
<td>3</td>
</tr>
</tbody>
</table>

**MI 4.3 Analysis**

<table>
<thead>
<tr>
<th>Element 1: IFC’s budgeting process clearly aligns financial resources with strategic objectives and intended resources as well as the complexity of the operating context.</th>
<th>Source document</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>105, 112, 113, 136, 137, 155, 158, 170</td>
</tr>
</tbody>
</table>
Interviews, Strategy Documents and the IFC budget demonstrate a top-down, bottom-up W process that links strategic priorities with available resources. Cost of doing business analysis provides a directional indication of resources needed to deliver the Advisory, Upstream, and Investment programs in line with strategic priorities.

In 2021, IFC introduced integrated Country-Driven Budgeting and a Funding Needs Assessment (FNA) to further align advisory and upstream budgets with country strategies: The FNA was “introduced in FY20 and aimed primarily at increasing internal alignment of fundraising priorities and more efficient and strategic fundraising from development partners, this annual exercise provides a more structured approach to assessing multi-year departmental funding needs to deliver on the Advisory program. The FNA will guide fundraising for all areas across IFC: Advisory, Upstream, Blended Finance, COVID-19 Response, and so on.” (IFC FY21 Budget).

Country Managers (and Regional Directors) now control the upstream and advisory budgets, enabling them to ensure that they are aligned with country priorities. In interviews, country managers reported that this process is working well and allows them to draw in the required resources – if, but only if – there is a reasonable chance of having an investment in the not-too distant future. The resulting budget directions take into account strategic priorities and the resources needed to deliver on these priorities. Considerations for COVID, and the related resources needs, were included in the Budgeting process.

Element 2: IFC produces a budget document that provides costs, with staffing accounting for about two thirds of IFC’s expenses. The hiring decisions were broadly aligned with IFC’s strategic priorities.

The budget as approved by the Board specifically discusses strategic priorities and outlines resource needs to maintain operations and pursue strategic priorities. Budget papers (BPs) are submitted to the Board annually for discussion and approval. The BP is publicly available. Staffing expenses are the primary driver of IFC’s cost base.

The IFC budget notes that fee income and spending is excluded from the budget as presented to the Board and released to the public. Fees are used to cover travel, consultants and outside legal counsel. Fees are not meant to generate profit, but to cover project specific operating costs. Additionally, jeopardy expenses (expenses incurred for projects where IFC has serious doubts about recovery or if IFC is being sued) are excluded from the presentation. Jeopardy expenses are highly volatile and could distort budget figures.

Element 3: IFC has systems in place to track budget implementation and performance against projections; however, there are opportunities to present variances in budget execution more clearly.

Resource trajectory, including the previous year’s actual administrative budget and total resources, are published in each budget paper (BP) as part of the discussion/analysis. However, there is no consistent comparison to projections or a discussion of any potential variances. IFC’s FY21 and FY22 BPs also provide a discussion around how program and pipeline growth vs. resource needs have changed since FY17 and are expected to change up to FY30, and these documents discuss the implications for the budget trajectory; however, this discussion does not appear in the FY23 BP. Actual inflows and outflows are reported in annual financial statements. FY21 and FY22 BPs contain a discussion of COVID-19 and its impact of the program, business functions, and budget. The FY23 budget discusses relief and recovery efforts.

Table 16 shows the evolution of IFC’s budget over the review period (FY17-22), including the main earnings designations through the funding mechanism for technical assistance and advisory services (FMTAAS), the Creating Markets Advisory Window (CMAW) and InfraVentures. (Source: IFC Budget Papers and IFC Annual Reports). It shows that, compared to the total budget authority, at the begin of the review period IFC underspent its total budget authority, whereas since FY19 it has been close to spending the full budget authority (note that figures exceeding 100% are possible, since some of the budget authority that has not been expensed can be carried forward). Table 15 shows IFC’s Administrative Expenses by Cost Category.
### Table 15. IFC’s Administrative Expenses by Cost Category

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY17-22</th>
<th>Annual</th>
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<tr>
<td>Admin Budget Authority</td>
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<td>1,176.9</td>
<td>6,535.6</td>
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<td>Special Initiatives</td>
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<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>-</td>
<td>26.5</td>
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<tr>
<td>InfraVentures</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>-</td>
<td>26.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Designations from Retained Earnings</td>
<td>70.0</td>
<td>66.6</td>
<td>98.4</td>
<td>118.4</td>
<td>118.8</td>
<td>158.3</td>
<td>136.5</td>
<td>697.0</td>
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<tr>
<td>CMAW</td>
<td>-</td>
<td>-</td>
<td>50.0</td>
<td>70.0</td>
<td>70.0</td>
<td>90.0</td>
<td>80.0</td>
<td>360.0</td>
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<td>FMTAAS</td>
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<td>63.0</td>
<td>45.0</td>
<td>45.0</td>
<td>45.0</td>
<td>60.0</td>
<td>60.0</td>
<td>308.0</td>
<td>51.3</td>
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<td>PBGI</td>
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<td>1.6</td>
<td>2.1</td>
<td>2.1</td>
<td>2.5</td>
<td>4.3</td>
<td>2.8</td>
<td>15.4</td>
<td>2.6</td>
</tr>
<tr>
<td>SME Ventures</td>
<td>1.0</td>
<td>2.0</td>
<td>1.3</td>
<td>1.3</td>
<td>4.0</td>
<td>3.7</td>
<td>13.6</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Admin Budget + Special Initiatives + Designations of RE Authority</td>
<td>1,042.5</td>
<td>1,077.4</td>
<td>1,139.4</td>
<td>1,190.4</td>
<td>1,235.6</td>
<td>1,302.9</td>
<td>1,313.4</td>
<td>7,259.1</td>
<td>1,209.9</td>
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<tr>
<td>Capital Budget Authority</td>
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<td>98.5</td>
<td>69.4</td>
<td>73.2</td>
<td>59.4</td>
<td>45.9</td>
<td>405.8</td>
<td>67.6</td>
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<tr>
<td>Administrative Expenses</td>
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<td>962</td>
<td>1,029</td>
<td>1,355</td>
<td>1,281</td>
<td>1,355</td>
<td>1,441</td>
<td>8,356</td>
<td>1,393</td>
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<td>Growth</td>
<td></td>
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</tr>
<tr>
<td>Admin Budget Authority</td>
<td>4.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>4.2%</td>
<td>2.5%</td>
<td>3.3%</td>
<td>3.8%</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>Admin Budget + Special Initiatives + Designations of RE Authority</td>
<td>3.3%</td>
<td>5.8%</td>
<td>4.5%</td>
<td>3.8%</td>
<td>5.4%</td>
<td>0.8%</td>
<td>3.9%</td>
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<tr>
<td>Administrative Expenses</td>
<td>3.6%</td>
<td>3.1%</td>
<td>7.0%</td>
<td>31.7%</td>
<td>-5.5%</td>
<td>5.8%</td>
<td>6.3%</td>
<td>7.5%</td>
<td></td>
</tr>
</tbody>
</table>

Note: CMAW = Creating Markets Advisory Window; FMTAAS = Funding Mechanism for Technical Assistance and Advisory Services; PBGI = Performance Based Grants Initiative.
Source: IFC Budget Papers and IFC Annual Reports; IFC Staff

### Table 16. IFC’s Historical Administrative Expenses and Budget by Cost Category (USD million)

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin Budget Authority</td>
<td>1,035.70</td>
<td>1,066.70</td>
<td>1,111.50</td>
<td>1,139.30</td>
<td>1,176.90</td>
<td>1,254.80</td>
</tr>
<tr>
<td>Fixed Expenses</td>
<td>790</td>
<td>867</td>
<td>841.1</td>
<td>888</td>
<td>937.6</td>
<td>989.0</td>
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<tr>
<td>Salaries and Benefits</td>
<td>672.4</td>
<td>742.1</td>
<td>710</td>
<td>763.7</td>
<td>789.9</td>
<td>850.3</td>
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<tr>
<td>Communications &amp; IT</td>
<td>16.9</td>
<td>17.7</td>
<td>23.5</td>
<td>20.4</td>
<td>28.9</td>
<td>25.1</td>
</tr>
<tr>
<td>Depreciation</td>
<td>57.8</td>
<td>65.6</td>
<td>62</td>
<td>59.9</td>
<td>71.0</td>
<td>56.5</td>
</tr>
<tr>
<td>Equipment &amp; Building</td>
<td>42.8</td>
<td>41.6</td>
<td>45.6</td>
<td>45.6</td>
<td>47.8</td>
<td>57.1</td>
</tr>
<tr>
<td>Variable Expenses</td>
<td>211.3</td>
<td>234.8</td>
<td>244</td>
<td>215.3</td>
<td>244.3</td>
<td>287.1</td>
</tr>
<tr>
<td>ST Consultants &amp; Temporaries</td>
<td>13</td>
<td>12.3</td>
<td>15.1</td>
<td>12.6</td>
<td>19.3</td>
<td>20.0</td>
</tr>
<tr>
<td>ET Consultants &amp; Temporaries</td>
<td>-</td>
<td>1</td>
<td>4.4</td>
<td>7.6</td>
<td>11.4</td>
<td>14.5</td>
</tr>
<tr>
<td>Travel, Representation and Hospitality</td>
<td>38.5</td>
<td>32</td>
<td>21.9</td>
<td>4.1</td>
<td>11.3</td>
<td>30.9</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>36.5</td>
<td>45.8</td>
<td>46.8</td>
<td>34.2</td>
<td>34.9</td>
<td>49.5</td>
</tr>
<tr>
<td>Services and Support Fees</td>
<td>122.7</td>
<td>139.2</td>
<td>141.5</td>
<td>153.0</td>
<td>158.7</td>
<td></td>
</tr>
<tr>
<td>Other Expenses</td>
<td>15.1</td>
<td>16</td>
<td>16.6</td>
<td>15.2</td>
<td>14.4</td>
<td>13.5</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>1,001.30</td>
<td>1,101.80</td>
<td>1,085.1</td>
<td>1,103.30</td>
<td>1,181.9</td>
<td>1,276.1</td>
</tr>
<tr>
<td>Total Non-Operational Revenue</td>
<td>-15.7</td>
<td>-17.4</td>
<td>-21.6</td>
<td>-21.8</td>
<td>-24.4</td>
<td>-25.1</td>
</tr>
<tr>
<td>Net Expenses</td>
<td>985.6</td>
<td>1,084.40</td>
<td>1,063.50</td>
<td>1,081.50</td>
<td>1,157.5</td>
<td>1,251.0</td>
</tr>
</tbody>
</table>

Source: IFC FY21 Budget and IFC FY23 Budget

### Table 17. IFC Advisory Services Budget by Sources of Funds FY19-22

<table>
<thead>
<tr>
<th></th>
<th>FY19A</th>
<th>FY20A</th>
<th>FY21A</th>
<th>FY22B</th>
<th>FY23B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Development Partners and Clients

<table>
<thead>
<tr>
<th>Description</th>
<th>USD million</th>
<th>%</th>
<th>USD million</th>
<th>%</th>
<th>USD million</th>
<th>%</th>
<th>USD million</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Partners</td>
<td>270.4</td>
<td>57%</td>
<td>290</td>
<td>59%</td>
<td>295</td>
<td>55%</td>
<td>285</td>
<td>57%</td>
</tr>
<tr>
<td>Client Contributions</td>
<td>30</td>
<td>6%</td>
<td>30</td>
<td>6%</td>
<td>35</td>
<td>7%</td>
<td>45</td>
<td>9%</td>
</tr>
<tr>
<td>IFC All Sources</td>
<td>204.3</td>
<td>43%</td>
<td>204.7</td>
<td>41%</td>
<td>238.8</td>
<td>45%</td>
<td>218.8</td>
<td>43%</td>
</tr>
<tr>
<td>AS Admin Budget</td>
<td>73.3</td>
<td>15%</td>
<td>73.3</td>
<td>15%</td>
<td>74.3</td>
<td>14%</td>
<td>74.3</td>
<td>15%</td>
</tr>
<tr>
<td>CMAW</td>
<td>70</td>
<td>15%</td>
<td>70</td>
<td>14%</td>
<td>90</td>
<td>17%</td>
<td>80</td>
<td>16%</td>
</tr>
<tr>
<td>FMTAAS</td>
<td>45</td>
<td>9%</td>
<td>45</td>
<td>9%</td>
<td>60</td>
<td>11%</td>
<td>50</td>
<td>10%</td>
</tr>
<tr>
<td>Other IFC Sources</td>
<td>16</td>
<td>3%</td>
<td>16.5</td>
<td>3%</td>
<td>14.5</td>
<td>3%</td>
<td>14.5</td>
<td>3%</td>
</tr>
<tr>
<td>Total Advisory Services Budget</td>
<td>474.7</td>
<td>100%</td>
<td>494.7</td>
<td>100%</td>
<td>533.8</td>
<td>100%</td>
<td>503.8</td>
<td>100%</td>
</tr>
</tbody>
</table>

### MI 4.3 Evidence confidence

<table>
<thead>
<tr>
<th>Source document</th>
<th>MI 4.3 Evidence confidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium Confidence</td>
<td></td>
</tr>
</tbody>
</table>

### MI 4.4: The MO’s external audits or other external reviews certify that internationally accepted standards are met at all levels, including with respect to internal audit.

#### Score

<table>
<thead>
<tr>
<th>Overall MI rating</th>
<th>Overall MI score</th>
<th>MI 4.4 Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfactory</td>
<td>4.00</td>
<td>Source document</td>
</tr>
</tbody>
</table>

#### Element 1: External audits are conducted that comply with internationally accepted standards. IFC has also pioneered external assurance of selected development results information, which also comply with internationally accepted standards.

Annual financial statements are publicly available online. These financial statements are audited externally in accordance with auditing standards generally accepted in the United States of America (GAAS). External Auditors are appointed by the Board at the recommendation of the Audit Committee, following a competitive bidding process. They are appointed for a five-year term with a two consecutive term limit. Auditors are subject to annual reappointment ([IFC Annual Report FY22, Financials](#)). The WBG’s public procurement rules apply, which do contain rules preventing and mitigating potential conflicts of interest.

Throughout the review period, IFC has also had selected development results information assured by an external assurance provider providing “limited assurance”. The assurance provider used the “principles of relevance, completeness, neutrality, understandability and reliability as defined by international standards”, “such as ISAE 3000 from IFAC, Global Reporting Initiative (GRI), or AA1000 Accountability Standard” ([IFC Annual Report FY22, External Assurance Statement](#)). However, the scope of assurance has varied over the years (see KPI 7).

#### Element 2: Internal controls of financial reporting are deemed to be in compliance with generally accepted standards.

The Independent Auditor’s Report accompanying the **FY22 Financial Statements** states that IFC "maintained, in all material aspects, effective internal control over financial reporting ..." In addition, IFC has consistently received an unqualified audit opinion. Cases of substantiated fraud and corruption reported to INT are...
publicly reported in the WBG Sanctions System Annual Report. This report also publishes the outcomes of the sanctions system.

For external assurance of development results, the Assurance Provider confirmed that “nothing has come to our attention that causes us to believe that:

- the Indicators have not been prepared, in all material respects, in accordance with the Reporting Criteria;
- the Statements have not been presented, in all material respects, in accordance with IFC’s Access to Information Policy and the principles of relevance, completeness, neutrality, clarity and reliability as defined by international standards.” (IFC Annual Report FY22, External Assurance Statement). IFC has consistently received a similar unqualified assurance opinion over the review period. However, the External Assurance Provider stated in FY17 that “IFC must continue to ensure that the impact of climate investments is significant in terms of avoided GHG emissions and should develop — wherever possible — additional methodologies to capture ex-ante or ex-post avoided emissions.” (IFC Annual Report FY17).

Element 3: IFC appears to have a system in place to ensure deficiencies identified through external audits are followed up, judging from the fact that IFC has consistently had unqualified audit opinions.

The annual external audits of financial statements include ‘Management’s Report Regarding Effectiveness of Internal Control over Financial Reporting’. The Audit committee is “assisting the Board in overseeing IFC’s finances, accounting, risk management, internal controls and institutional integrity” it is responsible for “oversight of the integrity if IFC’s financial statements”, “Appointment, qualifications, independence and performance of the External Auditor.”, “Performance of the Group Internal Audit Department” and “Adequacy and effectiveness of financial and accounting policies and internal controls and the mechanisms” (IFC Annual Report FY22 – MD&A).

Management responses are prepared to internal and external audits. Management response and actions are tracked by the auditors and the Audit Committee. As such, internal audit findings and recommendations are entered into a database and tracked regarding status of recommendations, the responsible party and timeliness. Management Response takes a matrix form that is periodically reviewed by board. Stakeholders confirmed that a rigorous follow-up system is in place, including timelines and accountable persons. This system is currently being moved to a database that allows real-time tracking and follow-up of actions and generates reports for the Board Audit Committee. Issues remain in a MAP until they are closed. Issues for management follow-up are rated according to severity such that issues of higher risk must go through a more rigorous review process to declare the issue to be closed. Overdue MAPs are reported to the Board each quarter with an analysis of why the issue remains open. Stakeholders report that the number of critical issues that remain open are few in number; however, overall follow-up on less critical MAP issues has been complicated by COVID-19 and frequent re-organisations.

At times, the internal audit department (GIA) also conducts advisory work. With this shift to become more agile and nimble through its advisory capacity, internal audit has facilitated an open dialogue with Management, garnering trust between the audit function and Management. The Audit Committee is a Board Committee responsible for overseeing WBG finances, accounting, risk management, internal controls and institutional integrity and specifically oversee the establishment, maintenance and ongoing operations of the Internal Audit function to include the review and recommendation to the Board for approval of the Terms of Reference, the annual work program and budget of GIA, review results of GIA assurance reports, their implications for the risk and control environment in the WBG, and the implementation of the resulting Management Action Plans (MAP).

Element 4: IFC’s internal audit function meets with internationally accepted standards, including for independence and transparency.

The Group Independent Auditors (GIA) are responsible for the whole WBG. The Internal Audit team reports directly to the President and is under the oversight of the Audit Committee of the World Bank Group Board. GIA carries out its work “in accordance with the Institute of Internal Auditors (IIA) International Professional Practices Framework”. An external quality assessment launched in FY22 found that GIA got the highest possible ranking related to internal audit standards and also identified further areas for improvement, which GIA is implementing. (GIA Annual Report, 2022). However, the external quality assessment itself is not public.
### MI 4.5: Issues or concerns raised by the MO’s internal control mechanisms (operational and financial risk management, internal audit, safeguards etc.) are adequately addressed.

<table>
<thead>
<tr>
<th>MI 4.5 Analysis</th>
<th>Source document</th>
</tr>
</thead>
</table>

**Element 1:** The WBG, including IFC, has a clear organisational statement and code of ethics as well as a range of organisational structures to address internal control issues.

At the apex are Staff Rules (3.01) and Code of Ethics, that all staff and consultants sign on to, that reflect World Bank core values (impact, integrity, respect, teamwork, and innovation). Whereas the staff rules provide the basis for determining misconduct and disciplinary actions, the code of conduct describes the ethical norms and behaviours expected of each staff member, including those related to:

- Supervisory relationships;
- Conflict of Interest;
- Compliance with fiduciary obligations;
- Outside remuneration;
- Political activities; and
- Use of World Bank services, supplies and facilities.

These principles are backed by a robust and extensive institutional architecture to address the broad array of possible external and internal control issues, through independence from line management. These include: The Integrity Vice Presidency for external control issues (INT), Inspection panel (IP) for Client and civil society complaints – an independent complaints mechanism, and the Ethics and Internal Justice Vice Presidency (EIJ). In addition, there are Group Internal Audit (GIA) – and the Independent Evaluation Group (IEG). There are also specific roles of operational Vice Presidencies, such as Human Resources (HRS), the Chief Risk Officer (CRO) etc.

The independent appellate body, the World Bank Administrative Tribunal (AT) is also part of the justice system. Survey respondents agreed that the WBG adequately addresses issues and concerns raised by internal control mechanisms (including operational and financial risk management, internal audit, social and environmental safeguards).

The WBG has collectively adopted the core values of impact, integrity, respect, teamwork, and innovation. These are outlined in the 2020 Code of Ethics. The Code of Ethics complements WBG staff rules, which provide more detail on the topics presented in the Code of Ethics. These rules serve as the basis for the determination of misconduct and disciplinary measures.

Complaints of staff misconduct pertaining to workplace grievances (such as harassment and issues related to failure to adhere to WBG policies or to comply with legal obligations) can be made to a staff member's
Manager or to the Ethics and Business Conduct Department (EBC), which forms an integral part of the Ethics and Internal Justice Vice Presidency (EIJ). There are multiple avenues through which complaints can be made (an internet web page, email to a dedicated email address or to EIJ staff, a 24/7 hotline administered by a third party, or in-person contacts (phone or walk-ins). Sexual Harassment complaints can also be made to the new office of the Anti-Harassment Coordinator (AHC), who may offer an informal resolution at the request of the affected staff member. Ultimately, complaints on staff misconduct are addressed by EBC, who investigates these allegations. Complaints of staff misconduct pertaining to fraud, corruption, abuse of position, misuse of funds, embezzlement, collusion, or coercion are handled by the Integrity Vice Presidency (INT). All WBG staff have a duty to report suspected fraud or corruption in WBG-financed projects or in the administration of WBG business to their direct manager or to INT, and managers who suspect or have a report of such misconduct is required to report it to INT. These reports/allegations are handled by the INT’s Internal Investigations Unit (IIU).

Staff rules 3.0 and 8.01 outline the investigation process for both EIJ and INT, respectively. The EU Guide to the Investigative Process outlines the process for processing and investigating complaints, which is reiterated in EBC’s annual reports. INT has also published a guide to its investigation process. Both of these involve a preliminary inquiry to determine whether to proceed with an investigation (INT) or to conduct fact finding (EBC). Upon rendering of decisions in the investigative process, staff are informed of their right to appeal the decision to the World Bank Administrative Tribunal.

Element 2: Each internal control unit has clear policies and procedures in place, including timelines.

Each of the external and internal control units has specific policies and procedures, timelines and monitoring and reporting mechanisms. They provide oversight as well as guidance and training to staff and management to resolve or to prevent recurrence such issues. Complaints on misconduct are to be made to EBC. Sexual Harassment complaints can be made to the Anti-Harassment Coordinator. EIJ has also moved staff (Regional focal points) to selected offices – Singapore, South Africa, Kenya, Senegal, and Chennai.

Recognizing the importance, the WBG upgraded the function, now called Ethics and Internal Justice, into a VPU in November 2022. Staff rules outline the right to confidentiality and protection from retribution of people who report misconduct. This is further highlighted in the Code of Ethics. Rules also outline the right of the accused to respond to accusations and to certain due process rights throughout the investigation process. Confidentially is assured in the staff rules.

There is a clear process by which EBC/INT intake and evaluate complaints, conduct a preliminary inquiry, and conduct an investigation/fact-finding. Although there is not an explicit timeline outlined in the staff rules, investigations into misconduct are to be conducted in a ‘timely’ manner. Staff rules outline the rights and protections of accused staff, including the right to respond and to bring witnesses. Protection for whistle-blowers is enshrined in both the Code of Ethics and in the Staff Rules. The Code of Ethics specifically states "The WBG protects ‘whistleblowing,’ which means we encourage staff to report in good faith ‘suspected misconduct that may threaten the operations or governance of the World Bank Group,’ typically linked to corruption or fraud. Whistle-blowers can expect the same quality in their relationships with their colleagues and Managers after they have come forward." Specific precautions and procedures are outlined in the Staff Rules for how this is ensured.

Element 3: The WBG, including IFC, has transparent processes through which staff can report on internal control issues.

Guidelines for reporting on control issues – in person or through a hotline – are available to all staff and managers and are reinforced by training and corporate communications. Furthermore, reporting has shifted from reactive to proactive to preventative. While staff are encouraged to report, reporting is no longer discretionary but a managerial obligation to act in the event that they suspect or receive a report of suspected misconduct. Although there does appear to be a clear process for processing complaints, no timeline is identified in staff rules.

The Annual Report of the EIJ and EBC’s Guide to Investigative Process outline the process for processing and investigating complaints. Interviews noted that the EIJ reach out to reporters within 48 hours to set up a
consultation which is typically completed within a week of reporting. The EIJ is considering reporting on timelines. Complaints are reported through many means and decisions are posted online / in reports and how they were addressed. There is a clear process that complaints go through, but more information is needed regarding specific guidelines.

The EIJ has also revamped its training program, including creating a new one for the Bank leadership team. In the past year alone, EIJ have reached 16,000 staff across the WBG with different types of training and outreach, including townhalls. The revamped training program moved from hypothetical to using actual cases and has been well received according to interviews. The number of cases has been on the rise, reflecting an increasing trust by staff. There are multiple avenues through which complaints can be made (an internet web page, email to a dedicated email address or to EIJ staff, a 24/7 hotline administered by a third party, or in-person contacts like phone or walk-ins). A reporter’s identity is intended to be confidential and there are avenues for anonymous reporting. WBG Staff Survey results suggest most staff trust they will have protection from retribution, but this is not universal.

Staff have a duty to report any misconduct related to fraud and corruption in WBG operations and can do so either to their manager or directly to INT. Managers are required to report to INT any instances of such misconduct brought to their attention. Outside entities can report instances of fraud and corruption to INT through an online form. Staff are encouraged but not required to report other sorts of misconduct to EIJ or to their manager. There are many avenues by which staff can report these forms of misconduct to EBC, including an internet web page, email to a dedicated email address or to EIJ staff, a 24/7 hotline administered by a third party, or in-person contacts (phone or walk-ins). Sexual Harassment complaints can also be made to the new position of Anti-Harassment Coordinator.

Protection against retaliation is codified into the Code of Ethics and is outlined in staff rules. Both INT and EIJ also allow for the submission of anonymous complaints. The complaints mechanism is accessible to all staff given the ability to report to direct managers and that there are multiple other avenues. Interviews confirmed that access to such resources is also available in country offices.

Element 4: Clear systems are in place for monitoring and tracking reports while protecting the confidentiality of complainants.

Each of the control units log, monitor, track and report in a case management system and typically issues a publicly available annual report which breaks down how issues were addressed or resolved. The EIJ also monitors the situation after resolution (sometimes up to a year after). Based on the annual report, uptake of complaints for investigation is tracked. The appendix of the annual report shows decisions made on misconduct complaints that were sent to HRDVP. EIJ produces an annual report. Misconduct cases that have been closed and the outcomes thereof are presented in the appendix of the report. More information would be needed regarding the tracking system (in headquarters and country offices), particularly regarding timelines of responses to fully assess the systems.

In FY22, INT implemented “new complaint-handling workflows and data tools to support a more risk-based approach to the analysis, follow-up, and assessment of complaints.” (Sanctions System Annual Report FY22) The Business Integrity Review unit (BIR) also continues to revise its case management system and refine analytics. (EIJ Annual Report FY22) EIJ and INT maintain the confidentiality of the complainant to the extent possible. EBC’s complaint intake ensures confidentiality and allows for anonymous complaints. Staff rules stipulate that EIJ will only reveal the source of complaint allegations outside of EIJ on a ‘need-to-know’ basis unless the staff member provides consent for disclosure, it is determined that the complaint was knowingly false, if members of the WBG are in immediate danger, or disclosure is requested by a competent judicial authority. INT notes that the protection of complainants and witnesses is of paramount importance to INT, though there is a limit on the confidentiality that INT can provide as accused staff members have the right to respond to the information/evidence against them, including potentially any transcripts from interviews conducted during the investigation process.

EIJ publishes cases substantiated by EIJ and sanctions by the HRDVP on a quarterly basis on the WBG Intranet and annually in an appendix of its Annual Report. INT likewise publishes the decisions of the sanctions
Element 5: Some, but not all, annual reporting presents actions taken in response to identified issues.

Management and independent control entities’ documents and annual reports track caseload and describe actions taken and or issues resolved during the year. These include Management response and action plans to deal with recommendations from internal or external audits. Reports and outcomes of investigations and Sanction Board decisions are published publicly online. The Integrity VP also produces a Sanctions Annual Report that summarizes the activities (investigations and decisions) made throughout the year.

The GIA annual report provides a high-level depiction of the audits / assessments that have been done. For reports that have a Management Response, it takes a matrix form that is periodically reviewed by the Board. Reports are derived from an audit software. The recommendations are in a database and include the responsible unit and timelines for each recommendation. The status of the implementation of recommendations, including long-standing (more than 180 days) audit recommendations are discussed at the Audit Committee and the Board.

Shareholders generally feel that IFC adequately addresses issues and concerns raised by internal control mechanisms (88% favourable), as evidenced by the MOPAN survey. (see below)

| MI 4.5 Evidence confidence | High Confidence |

<table>
<thead>
<tr>
<th>MI 4.6: The MO’s policies and procedures effectively prevent, detect, investigate and sanction cases of fraud, corruption, conflict of interest and other financial irregularities.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Highly Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>4.00</td>
</tr>
<tr>
<td>Element 1: The MO has clear policy/guidelines on fraud, corruption and any other financial irregularities in place and made available publicly.</td>
<td>4</td>
</tr>
<tr>
<td>Element 2: The MO has policy/guidelines in place that clearly define the roles of management and staff in implementing and/or complying with them.</td>
<td>4</td>
</tr>
<tr>
<td>Element 3: The MO has conducted staff training/awareness-raising on policy/guidelines related to fraud, corruption, conflict of interest and other financial irregularities.</td>
<td>4</td>
</tr>
<tr>
<td>Element 4: There is evidence that these policy/guidelines have been implemented (e.g. through regular monitoring and reporting to the governing body).</td>
<td>4</td>
</tr>
<tr>
<td>Element 5: The MO has channels/mechanisms in place for reporting any suspicion of misuse of funds (e.g., anonymous reporting channels and “whistle-blower” protection policy).</td>
<td>4</td>
</tr>
<tr>
<td>Element 6: The MO produces annual reporting on cases of fraud, corruption and other irregularities, including actions taken, and ensures that these reports are made public.</td>
<td>4</td>
</tr>
<tr>
<td>MI 4.6 Analysis</td>
<td>Source document</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td><strong>Element 1:</strong> The WBG, including IFC, has a publicly available policy on sanctions for fraud and corruption, including a process for investigating potential fraud and corruption among staff. IFC has an “Integrity due diligence” (IDD) process for all business clients. Audit findings are generally positive for IDD at the front end, but weaknesses during supervision and in FCS-countries have been identified.</td>
<td></td>
</tr>
<tr>
<td>Fraud and corruption are clearly defined in Bank directives, and a robust set of policies and guidelines are in place and are supported by dedicated and operationally independent organizational units (e.g., Integrity (INT), Sanctions Board, GIA).</td>
<td>29, 30, 86, 109, 117, 210, 225, 240, 259, 265, 331, 332, 352, 368, 387, 404, 418, 431, 436, 438</td>
</tr>
<tr>
<td>The WBG identifies five sanctionable practices, defined as practices that are corrupt, fraudulent, collusive, coercive, and/or obstructive, definitions of which are clearly outlined in the WBG Policy and Directive Framework. Furthermore, IFC provides interpretations of these practices. The WBG outlines a range of potential sanctions, including debarment, restitution, reprimand, or any combination thereof, with the sanction imposed proportionate both in nature and scope to the sanctionable practice identified, which is reiterated in the IFC specific sanctions procedures. The Policy notes that the degree and length of sanction is proportionate to the act.</td>
<td></td>
</tr>
<tr>
<td>A process for investigating potential fraud and corruption among staff is clearly outlined in the Staff Rules, which includes a preliminary inquiry to determine whether there is basis for an investigation, information gathering where the subject of the investigation has a duty to cooperate and a right to respond to the allegation, and a subsequent notification of decision. Notice is given to subject staff members with a description of the allegation(s), a non-exhaustive list of standards relevant to the allegation(s), an overview of the investigative and decision-making process, and the staff member’s rights and obligations under the process. Staff who reported the suspected misconduct are also entitled to periodic updates on the status of the investigation.</td>
<td></td>
</tr>
<tr>
<td>IFC conducts Integrity Due Diligence (IDD) on all business clients and partners for all engagements using a risk-based approach identify, assess, and document any integrity risks. This is done through a comprehensive process that includes:</td>
<td></td>
</tr>
<tr>
<td>• a general risk review (conducted by operations staff). The General Review identifies integrity risk issues such as criminal activities, civil proceedings and political influence.;</td>
<td></td>
</tr>
<tr>
<td>• an ownership structure review, which helps IFC understand the structures used by its clients; and</td>
<td></td>
</tr>
<tr>
<td>• Other Specialized Reviews for financial institutions and private equity funds.</td>
<td></td>
</tr>
<tr>
<td>For financial institution and certain non-financial clients, IFC assesses their anti-money laundering and combating the financing of terrorism (“AML/CFT”) processes as part of the due diligence review.</td>
<td></td>
</tr>
<tr>
<td>The process requires staff to conduct IDD throughout the project cycle of IFC engagements. For example, “IFC operations staff update IDD as parties change, projects are restructured, business interests are sold, there are changes in management, litigation occurs, regulatory issues arise, or there are new developments as regards existing risks” (IFC, 2017, Unique Markets, Responsible Investing IFC’s Integrity Due Diligence Process).</td>
<td></td>
</tr>
<tr>
<td>The review process for each project includes:</td>
<td></td>
</tr>
<tr>
<td>• Input from IFC’s country offices that provide market intelligence and insights.</td>
<td></td>
</tr>
<tr>
<td>• Open-source research in English and other languages using internet search engines, media sources and websites of regulatory bodies;</td>
<td></td>
</tr>
<tr>
<td>• A mandatory negative news research and search against sanctions lists in DJRC and FACTIVA databases, including specialised researchers working in English other languages (French, Portuguese, Spanish, Chinese and Arabic);</td>
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<tr>
<td>• Daily screening of individuals and entities against various sanctions, watch, regulatory, and law enforcement lists, such as the United Nations sanctions lists and the World Bank Listing of Ineligible Firms &amp; Individuals, using an industry standard tool;</td>
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<tr>
<td>• External reference checks using IFC’s network of industry contacts; and</td>
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<tr>
<td>• Hiring independent external risk consultants and local counsel in circumstances where important</td>
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integrity-related information is either missing, difficult to obtain or particularly sensitive” (IFC, 2017, Unique Markets, Responsible Investing IFC’s Integrity Due Diligence Process)

If integrity risks are identified the following processes are followed:

**Figure 9. Processes followed in case of integrity risks identification**

1. **Appropriate level of research**
2. **Perceived or actual risk exists**
3. **Operations staff makes initial assessment of the risk**
4. **Assessment is reviewed by IFC’s Business Risk & Compliance Department**
5. **External expert advice where appropriate**
6. **Mitigation measures implemented, if necessary**
7. **Disclosure to Board and negotiation of contractual terms**

Source: IFC, 2017, Unique Markets, Responsible Investing IFC’s Integrity Due Diligence Process

Should the assessment identify any material integrity risks following the risk-based approach, the assessment is reviewed by IFC’s Business Risk and Compliance Department, who may determine mitigation measures are needed. These risks may keep IFC from investing, or if it proceeds, the risks are disclosed to the Board and may result in contractual covenants to safeguard IFC.

Internal audit “concluded that IFC’s IDD process is adequately designed as governance and oversight mechanisms are well established; the process for identification and assessment of integrity risks, along with roles and responsibilities, is clearly defined; business units are supported by the Business Risk and Compliance (CBR) unit in the assessment and ongoing screening of integrity risks; and periodic reporting to IFC’s senior management by CBR is in place.

However, the audit determined that the operating effectiveness of the IDD process needs to be strengthened through improvements in: (i) the monitoring of integrity risks during project supervision; (ii) the IDD approach for its operations in countries experiencing fragility, conflict, and violence (FCV); and (iii) controls over the IDD screening system” (GIA Annual Report FY21) and similarly that for the Global Trade Finance Program “supervision integrity due diligence (IDD) screening details for GTFP counterparts have not been consistently updated in accordance with IFC’s Procedure for Integrity Due Diligence” (GIA Annual Report FY22). Based on this report, IFC has made improvements to the relevant processes, through developing tailored approaches for IDD in FCV locations and strengthening IDD during project supervision and the IDD screening system. GIA found that, by September 2022, IFC had successfully implemented all Management Action Plans related to the issues found.

Where IFC is aware of concerns regarding possible fraud, corruption, and other sanctionable practices in IFC’s operations, these are referred by IFC to INT which then follows its procedures to review and where appropriate investigate the concerns. INT has clearly defined processes to investigate concerns including a
diligent and impartial inquiry into the facts of the case, and due process allowing the accused to respond to the allegations, including before sanctions proceedings are initiated.

If sufficient evidence is found to support a finding of a sanctionable practice against an entity or individual (the Respondent), a Notice of Sanctions Proceedings will be issued to the Respondent with recommended sanctions and, where that recommended sanction is a debarment longer than six months, a notice to the Respondent of its temporary suspension from eligibility to become an IFC Counterparty. If the Respondent contests the Notice of Sanctions Proceedings, recommendations. In relevant instances the matter is referred to the Sanctions Board, whose decision is final. The WBG sanctions system is designed to strike a balance between due process, confidentiality and transparency with, publicly disclosed outcomes of all sanctions-related decisions.

MOPAN survey results indicate that stakeholders generally agree (13% strongly agree, 45% agree, and 17% somewhat agree) that IFC adequately addresses risks related to integrity, corruption, and conflicts of interest; 21% of respondents indicated that they didn’t know or had no opinion (see chart below).

Element 2: The anti-corruption policies and guidelines define clear roles for management and staff.

WBG Anti-Fraud and Corruption policies and guidelines establish clear roles and responsibilities to staff and managers, including the “duty to report”. Additionally, responsibilities of borrowers are identified to take all appropriate measures to:

- prevent corrupt, fraudulent, collusive, coercive and obstructive practices in connection with the use of loan proceeds;
- adopt appropriate fiduciary and administrate practice to do so; and
- immediately report allegations of fraud and corruption.

Internally, complaints can be made to a manager or directly to INT. WBG staff has a duty to report instances of fraud and corruption, as codified in the Staff Rules. External entities can also report instances of fraud and corruption in WBG projects directly to INT through online channels.

The WBG has a sanctions regime that is aligned with international standards, including for example cross-debarment, which is already in place with several other MDBs and being discussed with others. In FY22, INT “leveraged closer collaboration between its prevention, complaints intake, forensic and digital audits, and data analysis teams to enable its more risk-based approach to action on complaints, case prioritization, and proactive risk identification, and it developed new business processes and digital tools in support of these efforts (WBG Sanctions System Annual Report 2022).

Element 3: The Integrity Function implements regular staff training and outreach to companies to prevent fraud and corruption.

There are extensive awareness raising, information and outreach programs for staff and client countries, as well as tailored learning and mandatory staff training activities to support implementation.
INT’s outreach with companies works to promote integrity compliance principles among businesses and other stakeholders through various events and champions the adoption of tailored integrity compliance programmes to prevent misconduct and react appropriately if misconduct occurs.

INT provides targeted training to WBG staff and clients. INT’s core training is through the eLearning course ‘Integrity Is Your Business’ which trains staff and explains the sanctions ecosystem, reaching 2800 WBG staff in 2022. Onboarding training includes highlights on the WBG’s stance on fraud and corruption, the work INT does, and staff duty to report. This includes specialised sessions for incoming Executive Directors and Board Officials, country offices and staff working in FCS contexts. INT provides training to raise integrity risk awareness in collaboration with key WBG units, including country office staff and Financial Management teams, which raise awareness of INT’s work, the WBG’s sanction system, and how staff with oversight of WBG-financed projects can better understand integrity risks and report concerns to INT. INT provides targeted trainings to operational staff on issues of financial management and anti-corruption.

EIJ delivers regular training programs to staff on a wide range of personal and financial conflict of interest risk topics, including conflict of interest risk management on WBG projects. In the last fiscal year, EIJ delivered trainings to more than 8,100 staff. EIJ is invited by HR to present at all WBG Onboarding programs where an overview of conflict of interest (COI) risk topics is discussed. In addition, short videos on COI topics are available to staff through the WBG’s Learning Portal; one page infographics are also available to staff on EBC’s intranet website. Finally, staff can reach out to EIJ with COI questions through our email Helpline and expect to receive an answer within one business day.

Element 4: The WBG possesses a clearly defined process for addressing complaints, undertaking investigations and applying sanctions, with annual reporting to the Executive Board.

Staff Rule 8.01 governs disciplinary proceedings, and the associated reporting, investigative and decision-making processes, arising from allegations of misconduct (including fraud, corruption, coercion, collusion misuse and abuse of Bank and donor funds for personal gain, and embezzlement) involving World Bank staff concerning Bank operations and Bank administrative budgets. These processes are further informed by judgements issued by the WB Administrative Tribunal. The Directive on Conduct of Disciplinary Proceedings for INT Investigations describes the rights of staff, complainants and witnesses and procedural safeguards and limitations on investigative activities to protect the rights of staff. Staff undergoing disciplinary proceedings have the right to review and comment on the draft final investigative report and receive a copy of the final investigation report submitted for decision.

The WBG Integrity Unit (INT) has a system to receive, assess, respond to complaints. INT’s Complaints Development Unit (CDU) receives and responds to submissions and develops actionable complaints as per INT’s mandate. If sufficient evidence is uncovered of one or more sanctionable practices, the relevant allegations are deemed substantiated. Once an investigation has been substantiated INT may seek sanctions against the firm or individual in question. A Final Investigation Report is produced summarizing the findings of the investigation for submission to the appropriate operational staff and the WBG President. In certain cases, INT may conclude that a negotiated settlement is the appropriate way to address sanctionable conduct, taking into account the nature and gravity of the misconduct and the degree of cooperation provided by the respondent. All settlements must be cleared by the WBG General Counsel and then reviewed by the Chief Suspension and Debarment Officer.

Beyond a reactive business model involving investigations, INT increasingly implements a proactive approach to addressing fraud and corruption. The CDU operates in close coordination with the forensic audit and digital forensics team (FSU), data systems, tool and innovation team (the Data Lab), the risk analytics team, and the preventive services team (PSU) to ensure a ‘holistic assessment of complaints’ With the creation of a “Data lab” that works exclusively on extracting insights and analysis – including forensics /risk tracking, INT is also looking into giving greater emphasis to prevention. INT monitor the project pipeline and note where there is an INT investigation recently closed or ongoing. This approach allows the team (preparing the project) to build in mechanisms to monitor / prevent risk in the new project. The information obtained through investigations is shared with WBG management and operational counterparts to better
equip them to consider risks during preparation and mitigate them during implementation. According to stakeholders, it is a good pre-emptive action, and this is a core mandate of the prevention unit.

In FY22, INT launched a new complaint-handling workflows and data tools to enable a risk-based approach. New data management frameworks and tools are being developed to enable a more systematic analysis and tracking of themes, issues, and trends. INT investigations follow a two-stage process: i) intake and evaluation and ii) investigation. During intake/evaluation, INT determines if the complaint falls within its remit and contains sufficient evidence to undertake a preliminary inquiry. During the preliminary inquiry stage, INT undertakes an initial fact-finding to determine whether there is sufficient and credible evidence to support an investigation. If investigations determine that a sanctionable practice has occurred, the matter is referred to the WBG Sanctions System, as noted above in Element 4.6.1.

The INT also target high-risk portfolios to promote prevention. For example, they set up a briefing with new Country Directors of FCV and provide a much more focused version of the quarterly briefings. INT plugs into the WBG’s risk screening process in terms of identification of entities that have previously been debarred or flagging other entities that raise concern.

An Annual Report to the Board and to Management provides an overview of complaints received, investigations conducted, decisions reached, and sanctions administered. This report is publicly available online. Triaging occurs for external but not internal investigations. Decisions on suspensions and debarment are rendered public.

**Element 5: Clear channels and mechanisms are in place for reporting misconduct and whistle-blower protections are in place.**

The channels and mechanisms for receiving complaints allow for confidential, and, if desired, anonymous reporting through Online platforms. The online form is available for use by both the public and WBG staff. Reporters are confidential and can report anonymously.

A robust whistle-blower policy is in place and clearly defines whistle-blower protections. Staff rule 8.01 states that acts of retaliation against reporters are prohibited, and instances of retaliation are to be reviewed and investigated by EBC. Protections against retaliation extend also to retaliation against any person because such person was believed to be about to report misconduct or believed to have reported misconduct, even if such belief is mistaken. Retaliation is defined as any direct or indirect detrimental action recommended, threatened, or taken because an individual engaged in a protected activity. Staff members who report suspected misconduct or provide information regarding suspected misconduct in the course of an ensuing review or investigation have access to interim protections during the course of review, including temporary re-assignment.

Individuals can report suspected instances of fraud and corruption via the Online Integrity Complaint Form, which can be found on both IFC’s and INT’s websites and is available to the general public. The form allows for anonymity and confidentiality of the complainant. The form assures that information will be treated in the strictest of confidence and that INT will not reveal the complainant’s identity without consent. Additionally, enshrined in the Code of Ethics and Staff Rules, WBG provides protections against retaliation for whistle-blowers and offers other protections such as allowances for temporary reassignment or leave at the request of the staff member and the provision of updates and outcomes to Staff complainants.

**Element 6: The Integrity function has a system in place to track all allegations, investigations and resolutions. An annual report is produced and sanctions cases and decisions are reported publicly.**

All fraud and corruption allegations (in-take), investigations and resolution, whether remedies/sanctions or dismissal, are tracked by INT. INT received 3,380 complaint submissions in 2022, opened 330 external preliminary investigations, started 48 new and closed 31 existing external investigations and submitted 18 sanctions cases and 12 settlements to the Office of Suspension and Debarment.

Further, the WBG has a cross-debarment agreement with other MDBs. The WBG and four other IFIs each recognise each other’s public debarments for a period of one year, serving as an important deterrent for
In FY22, the WBG recognized 72 cross-debarments from other MDBs, and 30 WBG debarments were eligible for recognition.

Information on decisions and the sanctioned party are publicly disclosed and presented on the Sanctions Board Website. A Cross Debarment agreement has been signed with the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and World Bank Group (WBG). Cross-debarment is in effect among WBG, EBRD, ADB IDB and AfDB. Numbers regarding complaints taken, investigations conducted and sanctions decisions are also published in the Sanctions System Annual Report. The Sanctions System Annual Report contains a discussion of the integrity functions activities, including on the investigations undertaken and sanctions decisions.

**MI 4.6 Evidence confidence**

**Score**

| MI 4.6 Evidence confidence | High Confidence |

**MI 4.7: The MO prevents and responds to sexual exploitation and abuse (SEA) in operations.**

| Overall MI rating | Satisfactory |
| Overall MI score | 3.00 |

| Element 1: Organisation-specific dedicated policy statement(s), action plan and/or code of conduct that address SEA are available, aligned to international standards, and applicable to all categories of personnel. | 3 |
| Element 2: The MO has mechanisms in place to regularly track the status of implementation of the SEA policy at HQ and at field levels. | 3 |
| Element 3: Dedicated resources and structures are in place to support implementation of the MO’s policy and/or action plan at HQ and in programmes (e.g., covering safe reporting channels, and procedures for access to sexual and gender-based violence services). | 3 |
| Element 4: Quality training of personnel / awareness-raising on SEA policies is conducted with adequate frequency. | 3 |
| Element 5: The MO has clear standards and due diligence processes in place to ensure that its client investees and other relevant partners prevent and respond to SEA. | 3 |
| Element 6: The MO can demonstrate its contribution to interagency efforts to prevent and respond to SEA in line with the Joint Statement on Continuous Advancement of Standards to Prevent Sexual Harassment, Abuse, and Exploitation. | 3 |
| Element 7: Actions taken by the MO on SEA allegations in operations are timely with their number, related non-identifying information and actions taken reported publicly. | 3 |
| Element 8: The MO promotes a survivor-centred approach to SEA in operations, with operations having a survivor support function in place (stand-alone or part of existing structures) in line with its exposure/risk of SEA. | 3 |
| Element 9: The MO regularly shares information with other organizations about its progress in implementing its policy and contributes to dialogue around good practices and standards. | 3 |

**MI 4.7 Analysis**

**Source document**

**Element 1:** IFC has made a clear organisational commitment to address Sexual Exploitation and Abuse (SEA) in its investments.

It has also made a commitment to address SEAH by its own staff, as reflected in the WBG Staff Rules (covered under MI 4.8). IFC has a Global Gender-Based Violence and Harassment (GBVH) Roadmap to ensure GBVH risks are managed. IFC’s environmental and social (E&S) performance standards have some references to preventing SEA, which, however, could be strengthened.

IFC is one of the signatories to the Seven Principles to Advance Standards on Preventing SEA and Harassment in April 2018 and its update in October 2018. The principles include:

1. to foster a culture of respect and high standards of ethical behaviour across institutions;
2. to establish and maintain standards aimed at preventing sexual harassment, abuse, and exploitation and other forms of misconduct;
3. to provide a safe and trusted environment for those affected by sexual harassment, abuse.
and exploitation to step forward to report incidents and concerns, with the assurance that
they will be treated respectfully and consistently;

(iv) to provide protection for those affected, as well as whistle-blowers and/or witnesses within
their institutions, and to take appropriate measures against any form of retaliation;

(v) to maintain robust policy frameworks and clear institutional mechanisms that address how
incidents and allegations will be handled should they arise;

(vi) to provide effective training programmes so all staff understand the requirements and
standards of behaviour expected of them as international civil servants;

(vii) to support clients to develop and implement policies and mechanisms that address sexual
harassment, abuse and exploitation; and

(viii) to promote, implement and, where needed, reinforce efforts to give full effect to these
principles.

Codes of conduct and behavioural standards established under World Bank Group projects adopt
international definitions of SEAH including child safeguarding and prohibit any sexual engagement with
children under the age of 18 as a condition of employment, and irrespective of the national age of consent.

IFC has a Global Gender-Based Violence and Harassment (GBVH) Roadmap to ensure GBVH risks are
managed in operations. It is supported by a TOC and draws on the guiding principles of the WB GBV Task
Force in 2017. That “Roadmap” is focused on training of E&S specialists and development of tools to assess
and prevent GBV-risks. It aims to integrate GBVH prevention and response into operations in all sectors and
regions. Although the WBG Action Plan for Preventing and Addressing Sexual Harassment, which applies to
IFC, notes that a clarifying definition of sexual exploitation and abuse was developed, no definition of SEA
was found. Stakeholders noted it was working on a directive making requirements clearer and expected it
to be completed by the end of FY23.

IFC’s Sustainability Policy has some references to preventing SEA. IFC’s Performance Standard (PS) 2 (Labour
and Working Conditions, 2012) contains that “The client will take measures to prevent and address
harassment, intimidation, and/or exploitation, especially in regard to women.” However, this only applies
to workers. In interviews, IFC stated that de facto it also applies such conditions in PS 4 (Community Health,
Safety and Security), however, this is not reflected in the (mandatory) performance standard, only in
guidance materials. Given that many other institutions refer to IFC’s performance standards (e.g., through
the Equator Principles), not having a stronger reflection of this in IFC’s sustainability policy is a weakness.
The vast majority of respondents to the MOPAN survey (94%) who rated this aspect agreed that “IFC has
effective processes in place for working with clients to prevent and respond to sexual misconduct in relation
to host country populations,” reflecting 51% of respondents overall...” However, this was an area where
almost half (46%) didn’t know or had no opinion.

Going forward, prevention and response to GBVH will be taken up in IFC’s forthcoming 2024-30 Gender
Strategy, including tailored analytical services to mitigate GBVH risks.

**Q4[13]** IFC has effective processes in place for working with clients to prevent and respond to sexual misconduct in relation
to host country populations.

![Graph showing responses to Q4](image)

Element 2: IFC has a monitoring framework for the implementation of its SEA policy and a monitoring
system to track grievances.
The Global GBVH Roadmap is guided by a theory of change and is monitored by a tailored Monitoring & Evaluation framework. Monitoring of operations is conducted by the ESG Sustainability Advice and Solutions department in the context of IFC’s Sustainability Framework (explained further in MI 5.4, below). SEA risks are identified during initial screening and preparation of investments through tailored risk assessment tools and are followed up through regular supervision and reporting on Environmental and Social Risks. IFC provided supervision reports that identified how environmental and social risks, including those related to SEA are followed up in operations.

Stakeholders indicated that an internal tracking system exists for SEA-related grievances, and that the average response time was only two days. WBG regional teams provided evidence that reporting is monitored and cases raised to the attention of VPs, but no indication was provided on compliance with internal timelines. Quarterly Portfolio and Risk Reports identify operations that are high risk, where ESRRs are below satisfactory and where impacts have been recorded or grievances have been raised, bringing these to the attention of senior management.

Feedback from IFC notes that, since FY18, EBC’s annual reports, which are also provided to the Executive Board, have contained a section on SEA, which details types of allegations against WBG staff that were brought to EIJ and how they were addressed.

Element 3: The WBG has dedicated resources, tools and policies to support the implementation of its commitment to addressing SEA for its own operations. For the operations it finances, IFC’s E&S specialists are expected to ensure coverage of SEA in operations and IFC has developed a large number of guidance materials.

Within the WBG allegations of sexual exploitation and abuse can be made to EIJ through an online form for victims or the witnesses of sexual harassment or sexual exploitation and abuse perpetrated by a WBG staff member. There is a WBG Anti-Harassment Co-ordinator, who reports directly to the WBG’s Chief Ethics Officer, who is responsible for reviewing all allegations of harassment, Sexual Exploitation and Sexual Abuse in the workplace or in connection with work, or involving a staff member, which are brought to EBC. Additional focal points have been identified to provide hands-on guidance to staff in addressing specific implementation challenges and problems and ensuring their resolution. These functions appear to be sufficiently staffed.

For projects financed by IFC, IFC’s Environmental and Social (E&S) specialists review projects and client’s operations and provide guidance to and monitor clients with regard to their compliance with IFC’s performance standards. In an interview, E&S staff noted that in addition to PS2 (for workers), IFC also pursues prevention of SEA through PS 4 (for the community) (see element 6 of MI 5.4 for more information). IFC has developed numerous guidance materials for the prevention of SEA and harassment: An overall guide, many sector briefs (agribusiness; construction; education; hotel, catering and tourism; manufacturing; public transport) as well as case studies and tip sheets on grievance mechanisms (against SEA and harassment) and writing codes of conduct. These guidelines are clearly helpful, albeit not mandatory. IFC has also developed a risk screening tool for gender-based violence and harassment (GBVH), which allows classifying a project according to its risk and conducted a portfolio review in 2020, identifying 214 higher-risk projects. Ethics officers in regional hubs and Environmental and Social Specialists (including those in country offices) support the implementation of the Action Plan.

It is also important to point out that the 2020 External Review of CAO found with respect to grievance mechanisms – which include, but are not limited to SEAH – that: “While the IFC/MIGA Performance Standards (notably PS 1, concerning E&S Management Systems) require the establishment of stakeholder engagement processes and project-level grievance mechanisms where there are affected communities, IFC/MIGA currently have limited capacity for either due diligence or supervision of such grievance mechanisms. Evidence available from supervision and from evaluations show that in many cases insufficient attention is given to grievance mechanisms by the client and by IFC/MIGA. Where they do exist, grievance mechanisms (whether at the project level or at the organizational level) may not be utilized if complainants do not trust the client or are worried about retaliation” and that IFC “should conduct a detailed assessment
of implementation of grievance mechanisms in a sample of their investments, exploring the challenges faced and how they can be overcome, consulting widely with both affected people and clients.”

The new Policy for the Compliance Advisor Ombudsman (CAO), the independent accountability mechanism of the International "Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), was approved by the Boards of IFC and MIGA. The IFC/MIGA Independent Accountability Mechanism (CAO) Policy became effective on July 1st, 2021. IFC has also established a Stakeholder Grievance Response (SGR) team to provide guidance and support on effective complaints handling to IFC staff managing responses to CAO cases or project E&S complaints received directly by IFC. SGR centrally tracks and reports on all project E&S complaints and encourages proactive engagement with complainants and early review/resolution of E&S issues.

IFC has commissioned an independent study of grievance mechanisms and ECMs in IFC’s portfolio of direct investment projects and financial intermediary clients aimed at understanding how grievance mechanisms are working at the project level, what contributes to their effectiveness, and the impact that IFC support and supervision has on them. As a result, IFC is now developing guidance and tools to address the main findings of the review, trainings for IFC E&S specialists as well as clients, and internal tip sheets to guide IFC due diligence and supervision.

IFC has produced many resources, such as tip sheets and guidance, for how private sector companies can address SEAH and promote industry best practice. This includes a Tool Kit supporting companies to Develop and Manage Community-Based Grievance and Feedback Mechanisms for Sexual Exploitation, Abuse and Harassment, which provides guidance for both investment and advisory services on how to address grievances. Additional training has been developed to assist IFC staff and clients to ensure appropriate stakeholder consultation mechanisms have been put in place and establish survivor-centred grievance mechanisms.

MOPAN survey results indicate that stakeholders generally don’t know whether IFC has effective processes in place for preventing, investigating and reporting on any sexual misconduct by their personnel in relation to the host population (SEA); 49% indicated they didn’t know, while 47% responded favourably.

**Element 4: The WBG has implemented training across the institution for staff and also for clients.**

In terms of operations financed by IFC, according to an interview there is an annual training plan for E&S specialists and – due to lots of demand from clients, also for clients, reaching over 200 clients and for example in a webinar for financial intermediaries (FIs) over 100 participants in LAC. Numerous webinars now include prevention of SEA.

Since FY17, IFC has provided numerous training events on E&S issues, both for internal audiences (ESG specialists as well as investment and advisory staff) and external audiences. Stakeholders indicate that this training has been integrated into the core curriculum for staff. Some training events were specifically focused on SEA, which is part of the core curriculum for ESG staff (e.g., Good Practice Responses to Sexual Harassment in the Workplace; Sexual Exploitation in Communities, GBV Risk Screening tools). Over 400 staff...
participated in a webinar addressing GBV and Harassment in 2020, and there were also specialized training events for staff working on FIs, in Asia, GBV in connection with disabilities, etc. In terms of external training, over 130 people participated in a sustainable analysis workshop on SEA in 2017.

IFC has developed and delivered dedicated training, tools and guidance to build the capacity of its staff in providing guidance and working with clients to undertake SEAH risks identification, management and monitoring supported operations throughout the project life cycle. Such training and knowledge products aim to provide IFC staff, clients, partners, and community stakeholders with knowledge, capacity, and guidance to effectively strengthen their practices to address SEAH through sustainable solutions.

IFC has published knowledge resources, tools, tip sheets, case studies and sectoral guidance to support private sector companies in addressing SEA and to promote good industry practices. The IFC toolkit: Supporting Companies to Develop and Manage Community-Based Grievance and Feedback Mechanisms Regarding Sexual Exploitation, Abuse and Harassment provides specific SEAH guidance. IFC has further extended its technical knowledge products on SEA to company Boards and company senior leadership through a suite of training and information which, as needed, can be delivered via IFC advisory services. For example, the IFC Tip Sheet: Guidance for Boards of Directors on Overseeing Gender-Based Violence and Harassment Risk (2023) offers guidance on addressing gender-based violence including SEA for boards and senior leadership of companies and market regulators.

Evidence indicates that a pilot training program on respectful workplaces has taken place in partnership with Australia Pacific Training Coalition.

Element 5: IFC has due diligence practices in place to ensure clients prevent and respond to SEA.

IFC's E&S Performance Standard 2 (2012) on Labour and Working Conditions states that clients will "prevent and address harassment, intimidation, and/or exploitation, especially in regard to women." A Good Practice Note "Addressing Gender-Based Violence and Harassment" for the Private Sector contains how-to guidance for companies as well as for IFC staff working on investment and advisory operations. It is accompanied by six sector-specific guides full of actionable steps for companies in Agribusiness, Construction, Education, Hotels, catering and tourism, Manufacturing, and Public transport. The guidance notes emphasize approaches that aim to identify key risks of SEAH and to undertake measures to mitigate or minimize harm; consider the specific drivers of risks and opportunities that are integral to these different kinds of operations; and use a survivor-centred approach, putting victims’ rights, safety and confidentiality at the forefront of all actions. It stipulates also that projects receiving funds from IFIs are required to incorporate grievance mechanisms. These technical guidance notes are further implemented at market and industry level with the aim of promoting good practices.

Social risks are defined broadly under IFC’s PSs and include non-discrimination and equal opportunity; inclusive stakeholder engagement; community safety, security, and well-being; threats to human security and impacts on the health, safety and well-being of workers and project-affected communities, among others. Thus, potential SEAH risks and related prevention and mitigation measures need to be identified by the client early in the project cycle and monitored throughout the implementation of the project. IFC has developed tools such as the Gender and GBV Risk Screening Tool as part of overall due diligence assessment and to assist staff and IFC’s clients in identifying and addressing SEAH risks in investments. This allows IFC to work with the clients to help them identify groups at risk of gender-based violence including SEA and put in place measures to protect such persons, as part of project design or as referenced in agreed E&S action plans. The process for E&S risk monitoring is described further in MI 5.4, below.

IFC has developed assessment tools to help staff identify early SEAH risks and develop plans during project preparation and has published Good Practice Notes on this topic. The Good Practice Note for the private sector by IFC, EBRD, BII (2020) Addressing Gender-based Violence and Harassment: Emerging Good Practice for the Private Sector contains how-to guidance for companies as well as for IFC staff working on investment and advisory operations. It is accompanied by six sector-specific guides full of actionable steps for companies in Agribusiness, Construction, Education, Hotels, catering and tourism, Manufacturing, and Public transport. The guidance notes emphasize approaches that aim to identify key risks of SEAH and to undertake measures
to mitigate or minimize harm; consider the specific drivers of risks and opportunities that are integral to these different kinds of operations; and use a survivor-centred approach, putting victims’ rights, safety and confidentiality at the forefront of all actions. These technical guidance notes are further implemented at market and industry level with the aim of promoting good practices.

World Bank Group’s Corporate Procurement unit has issued a Code of Conduct for on-site Vendor Employees that prohibits vendor employees from engaging in any form of harassment. Prior to awarding contracts, the WBG Corporate Procurement Committee reviews high-risk and high-value contracts to ensure that SEAH risks are sufficiently mitigated.

**Element 6: IFC has contributed to inter-agency efforts to prevent and respond to SEA in line with the Joint Statement on Continuous Advancement of Standards to Prevent Sexual Harassment, Abuse and Exploitation.**

IFC is one of the signatories to the Seven Principles to Advance Standards on PSEAH (also called Joint Statement on Continuous Advancement of Standards to Prevent Sexual Harassment, Abuse, and Exploitation) in April 2018. This was re-affirmed in October 2018 with an update note that provided a snapshot of the work IFIs are doing to promote, implement and reinforce efforts, including existing work and what has stepped-up and became more specific since the April 2018 meeting. As part of the update, signatory IFIs have committed to focus on this issue through working groups as well as institution-specific narratives and actions. Notwithstanding, IFC has been actively participating in the MFI interagency SEAH working group since its inception in 2020.

Together with EBRD and CDC, IFC has also published “Addressing Gender-Based Violence and Harassment - Emerging Good Practice for the Private Sector” as part of their collaboration through the MDB Working Group on Sexual Exploitation, Abuse and Harassment. IFC has been collaborating with several other bilateral and multilateral institutions to develop guidance materials on how to deal with SEA in private sector projects (examples: Guidance materials: Tip Sheet for Board Directors Overseeing GBV and Harassment, Supporting companies in writing a workplace policy for the prevention of Sexual Harassment, or an employee code of conduct for prevention of SEA, establishing a worker grievance mechanism for sexual harassment, developing a community-based grievance mechanism for SEA, and case studies). IFC also participates in quarterly working group meetings addressing policy level issues, in which 11 DFIs participate. When needed, IFC also collaborates with other DFIs on specific projects (e.g., with EBRD).

**Element 7: The WBG has an internal reporting protocol in place for SEA allegations.**

Communities and individuals affected by IFC-financed projects may submit complaints directly to the IFC or via the Compliance Advisory Ombudsman (CAO) office. These offices apply a survivor-centred approach in addressing complaints.

There is a periodic report to the Board of aggregate numbers on GBV and gender (i.e., number of incidents, resolution etc) which gives an account of progress and highlights issues. IFC Stakeholders report that a system is implemented for tracking grievances related to clients and note that the average response time is two days. IFC is currently working on a directive for addressing grievances, which is also expected to cover timelines, with expected completion by the end of FY23.

IFC is in the process of joining the UN Clearcheck Screening database to alert member institutions of persons who have been found to have committed misconduct to inform hiring decisions. Stakeholders note that, currently, IFC conducts background checks for all potential hires, including qualifications and criminal records.

**Element 8: IFC recommends a “survivor-centred” approach to responding to SEA, with guidance available of ensuring grievance mechanisms and support for victims in available in the context of operations.**

IFC promotes a survivor-centred approach when working with clients on prevention or response to allegations of SEAH. Project-level grievance redress frameworks are designed to promote the protection of survivors or other individuals who report SEAH incidents. Confidentiality, anonymity, safety and the
informed consent of survivors for any data collected or shared in relation to SEAH allegations or in the submission and review of reports are essential throughout the process in order to preserve privacy and to minimize the risk of retaliation.

Promotion of a survivor-centred approach is partly conducted through Good Practice Notes, which provide practical guidance to IFC staff and clients. The Good Practice Note on how to Address Gender-Based Violence in Private Sector Operations (authored jointly with the EBRD and CDC) advocates for a survivor-centred approach, stressing that it "is especially important when it comes to responding to reports of GBVH". The Good Practice Note provides advice on the key elements of a survivor-centred approach. Furthermore, a Toolkit on Supporting Companies to Develop and Manage Community-Based Grievance and Feedback Mechanisms Regarding SEAH further explains what it means to take a survivor-centred approach and the need to understand which services are available or not within the community to better connect survivors to support services.

In addition, IFC adheres to the good practice of non-retaliation and promotes the right of all stakeholders to complain. Any attempt at retaliation against a complainant is considered misconduct and the WBG will support its projects in taking action against such behaviour. The Good Practice Note for The Private Sector: Addressing the Risks of Retaliation Against Project Stakeholders by IFC together with IDB-Invest (2021) mentions concern for preventing and assessing heightened risks of SEAH. This is particularly true in post-conflict contexts where retaliation risks are heightened.

**Element 9:** IFC regularly shares information with other organizations about its progress in implementing its policy and contributes to dialogue around good practices and standards.

See also element 6. IFC has also participated, along with CDC Group and EBRD, to develop a Good Practice Note for the Private Sector on how to Address Gender-Based Violence and Harassment as well as specific sector briefs. Based on this good practice note, IFC has produced a series of ‘How To Guides’ related to the development of grievance mechanisms, development and implementation of Codes of Conduct, and development and implementation of workplace policies for prevention of sexual harassment and makes them available to other organization.

IFC has also contributed to the development of knowledge and analytical work on SEAH, including a study on GBVH in the private sector across 12 countries, identifying that GBVH in the workplace could cost 14% of annual wage bills in lost productivity.

### MI 4.7 Evidence confidence

| MI 4.7 Evidence confidence | Medium Confidence |

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### MI 4.8: The MO prevents and responds to sexual harassment (SH).

<table>
<thead>
<tr>
<th>Element</th>
<th>Score</th>
<th>Details</th>
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</thead>
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<td>Overall MI score</td>
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<tr>
<td>Element 1: Organisation-specific dedicated policy statements and/or codes of conduct that address SH available, aligned to international standards and applicable to all categories of personnel.</td>
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<tr>
<td>Element 2: The MO has mechanisms in place to regularly track the status of implementation of the policy on SH at HQ and at field levels.</td>
<td>3</td>
<td></td>
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<tr>
<td>Element 3: The MO has clearly identifiable roles, structures and resources in place for implementing its policy/guidelines on SH at HQ and in the field, including support channel for survivors, a body coordinating the response, and clear responsibilities for following up with survivors.</td>
<td>3</td>
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<tr>
<td>Element 4: All managers have undergone training on preventing and responding to SH, and all staff have been trained to set behavioural expectations across the organisation (including with respect to SH).</td>
<td>3</td>
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</tr>
<tr>
<td>Element 5: The MO makes multiple mechanisms available to seek advice, pursue informal resolution or formally report SH allegations.</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Element 6: The MO ensures that it acts in a timely manner on formal complaints of SH allegations.</td>
<td>4</td>
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</tr>
<tr>
<td>Element 7: The MO transparently reports the number and nature of actions taken in response to SH in annual reporting and shares information among peer organisations as appropriate.</td>
<td>3</td>
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</table>
### MI 4.8 Analysis

**Element 1:** The WBG, including IFC, has a dedicated corporate statement on Sexual Harassment. It prohibits Sexual Harassment on the part of its staff, which is reflected in the Staff Rules and Code of Conduct and are operationalised through an action plan.

IFC participated in a Joint Statement on Continuous Advancement of Standards to Prevent Sexual Harassment, Abuse, and Exploitation in April 2018 and its update in October 2018. In October 2021, the WBG issued a specific corporate statement on Sexual Harassment with a corresponding 3-year action plan (the **WBG Action Plan for Preventing and Addressing Sexual Harassment FY19-FY21**) aimed at preventing sexual harassment in the organisation.

WBG anti-harassment guidance defines sexual harassment as 'any unwelcome sexual advance, request for sexual favour or other verbal, non-verbal, or physical conduct of a sexual nature which unreasonably interferes with work, alters or is made a condition of employment, or creates an intimidating, hostile or offensive environment. The Action Plan notes "Strengthening and clarifying the definition of sexual harassment in the WBG regulatory framework, in line with UN and international standards" as part of its actions to enhance trust in the system's ability to address inappropriate behaviours.

The WBG issued a statement in 2021 that it is "strongly committed to fostering a safe working environment that is free from harassment and abuse and where staff feel empowered to report allegations of wrongdoing. Like many organizations, we know we can always do better, and are continuously working to identify and take the necessary steps to prevent wrongdoing and support survivors of sexual harassment."

The action plan, developed and implemented by the Ethics and Internal Justice (EIJ) following an independent external review of WBG policies and procedures surrounding SH at the request of the WBG president, has the concrete deliverables of: ensuring all managers are aware of their responsibility to create team environments free from sexual harassment and providing managers with guidance on addressing cases; complementing the existing system with new people-centred services; scaling up and broadening the scope of training; transparently and regularly sharing information on the prevalence of sexual harassment and related sanctions inside the WBG; collaborating across departments on enhancing sexual harassment detection and risk assessment; and contributing to international efforts to share best practices.

The requirements apply to the entire WBG. For IFC specifically, the requirement states to “include sexual harassment risk in operational and enterprise risk frameworks”. The summary description of IFC’s enterprise and operational risk framework (IFC Annual Report, FY22) does not include specific mention of harassment, but mentions that for operational risk there are “12 other risk categories”, that “include misconduct, improper business or market practices, etc.”

Anti-SH is translated into the WBG Staff Rules (3.00) and Code of Ethics, such as an explicit statement that WBG does not tolerate SH in the workplace, assertions that staff have the right to report instances of misconduct, including sexual harassment. The Code of Ethics takes place of a Code of Conduct and is applied to all WBG staff (regular, temporary, and consultants). EIJ implements the Action Plan through its annual programme of work, including staff training and outreach, case intake and triage and investigations.

Beyond the Action Plan, the World Bank Group is also part of the High-Level Committee on Management of the United Nations System Chief Executive Board for Coordination where experiences, challenges and best practices are shared, to advance the agenda. The World Bank Group has also developed guidelines and held conversations with government counterparts to prevent counterparts from sexually harassing World Bank Group staff.

**Element 2:** There are resources and processes in place to support and monitor the implementation of the SH action plan.

With the Code of Ethics as central guide, Ethics and Business Conduct (renamed since 11/2022 as Ethics and Internal Justice vice-presidency) is the lead unit to guide policy and implementation. Four full-time staff within EIJ provide operational oversight. EIJ partners with specialized staff, such as the Anti-harassment

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<td>13, 14, 15, 380, 393, 401, 404, 407, 426</td>
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The WBG Action Plan on Sexual Harassment is a “living document” such that it is intended to be reviewed and updated on a biannual basis and is monitored by the Working Group on Sexual Harassment. EIJ aggregates data on implementation and highlights progress in its Annual Report, which is provided to the Executive Board and released publicly. As of FY22, the WBG has completed the implementation of over 70 recommendations in the Action Plan and continues to work closely with the WBG staff-led Sexual Harassment Working Group, as reflected in the FY22 EIJ Annual Report.

In the field, the anti-harassment coordinator has assisted and continues to assist several groups of staff in country offices and at headquarters in developing and implementing action plans to prevent and address harassment as a follow-up to their engagement survey, as part of the action plan. As reported in the FY22 EIJ Annual Report, beyond the training on 1,500 IFC staff and direct training and engagement with 3142 WBG staff in country offices implementation of the Action Plan has been further supported by the expansion of EIJ presence within regions and country offices, including EIJ focal points in Dakar, Nairobi, and Singapore.

**Element 3: The Anti-Harassment Co-ordinator supports the implementation of the SH Action Plan and co-ordinates responses to allegations.**

EIJ is responsible for the implementation of the Action Plan to address and prevent sexual harassment at the WBG. The WBG staff-led working group on sexual harassment continues to meet and advise on issues related to sexual harassment at the WBG. In 2019, the WBG introduced the Anti-Harassment Coordinator (AHC) to serve as a first point of contact within EIJ to review and address reports of inappropriate behaviours, including sexual harassment.

The AHC, a position created as part of the Sexual Harassment Action Plan, resides in EIJ and bridges the gap for staff seeking support between the informal services already available (Ombuds, Mediation, advice from EBC) and the formal investigation process. The role of the EIJ Anti-Harassment coordinator is integrated into the WBG Staff Rules. As noted previously, EIJ is an independent accountability unit of the Bank funded through the Bank’s administrative budget.

There are many avenues by which victims can report misconduct pertaining to sexual harassment and obtain advice. Staff can report to their direct manager, who has an obligation to report the instance to EBC. Reports can also be made to EIJ directly (phone, online, anonymous hotline, in person). Staff can also contact the AHC to report or to receive advice. There are other services available to staff as well, including Ombuds Services, Respectful Workplace Advisors, Mediation Services, Peer Review Services, and the Staff Association.

EIJ is responsible for responding to allegations of sexual harassment. The AHC serves as a bridge between information services available and the formal investigation process for staff seeking support, serving as a one-stop shop within EIJ and ensuring a consistent approach. The AHC is responsible for following up with victims, providing information and support through the process. EIJ is responsible for determining if misconduct has occurred, which it does through the intake of complaints/allegations, a preliminary inquiry, and ultimately a Fact Finding if it determines there is sufficient basis. If it is determined that the matter should be addressed through performance management actions, EIJ consults with the staff member, the staff member’s manager, and the responsible Manager, Human Resources Team /HR Regional Head, to determine appropriate measures to address the concerns. In cases of harassment/misconduct, disciplinary measures are applied by Human Resources (HR) and the Internal Justice System (IJS).

The Code of Ethics clearly outlines the structures in place with regards to reporting as well as support functions available to staff. Additionally, the Action Plan notes that the intranet page identifies all resources for staff on preventing and addressing sexual harassment at the WBG.

**Element 4: Training for managers and staff has been developed and implemented.**
The Action Plan stipulates that a manager-specific training session occurs. The EIJ FY20 Annual Report notes that training modules have been established and EIJ confirms that all staff, including managers are now required to undergo this training. The training, “A Conversation with Managers on Managing Harassment and Sexual Harassment at the Workplace” is designed as a facilitated conversation with those with “manager” authority, on how to handle situations related to inappropriate behaviour that doesn’t constitute harassment, the roles and responsibilities of the manager, resources available to assist managers, EBC’s misconduct review process, and informal sharing of best practices and strategies.

EIJ provides a range of trainings available to WBG staff on sexual harassment prevention, including Creating a Respectful and Harassment-Free Workplace, Preventing and Addressing Harassment: A Conversation with Team Leads, From Bystander to Upstander, and Refresher Training: Preventing and Addressing Sexual Harassment. Creating a Respectful and Harassment-Free Workplace is EBC’s flagship training. From Bystander to Upstander was introduced in FY22 as an e-learning module designed to build on a collective responsibility for a safe and respectful workplace by encouraging bystander intervention. This training is part of the WBG core curriculum.

The Sexual Harassment Action Plan included provisions for scaling up training and the development of manager-specific training. The Action Plan stipulates that trainings are made as part of on-boarding, suggesting all new staff are trained on behavioural expectations; however, it is unclear to what extent staff are required to have ongoing training on sexual harassment and behavioural expectations throughout their tenure at the Bank. The EIJ FY22 Annual Report has a whole section “Special Report on Harassment and Sexual Harassment” and notes that it has dedicated training on prevention of sexual harassment for both staff and managers. Feedback from stakeholders indicates that this training has been integrated into the mandatory onboarding programme. Creating a Respectful and Harassment-Free Workplace and Conversation with Managers on managing harassment and sexual harassment at the workplace are two of EBCs most requested trainings. In FY21, “Creating a Respectful and Harassment-Free Workplace” consistently ranked as one of the top five staff learning courses in terms of attendance at the WBG.

Evidence suggests that the trainings are based on real scenarios faced in the workplace. The flagship training, “Creating a Respectful and Harassment-Free Workplace,” includes discussion of harassment versus inappropriate behaviour, how real situations have been addressed at WBG, bystander intervention, and resources available to staff. The EIJ FY21 Annual Report describes the training as “a 2.5-hour facilitator-led conversation with staff designed to help participants understand what harassment is versus inappropriate behaviour, how the WBG has addressed real situations, learn about bystander intervention options and new resources available to staff such as the Anti-Harassment Coordinator role.” The training also includes an interactive component. Manager-specific training, Harassment: A Conversation with Managers, is a conversation designed to assist managers on how to handle situations related to inappropriate workplace behaviours. It additionally provides information the manager’s role, responsibilities, and obligations, resources available, information on EBC’s misconduct review process, and informal sharing of best practices and strategies. This training is mandatory.

Evidence suggests that EIJ communicates training options to teams across the WBG. EBC, and in particular the Anti-Harassment Coordinator, also undertakes missions to country offices which they see as a means to ‘building trust and encouraging staff to voice their concerns in townhall, training sessions, focus groups or individual consultations’.

EBC’s FY22 Annual Report cites that 287 IFC staff attended the Creating a Respectful and Harassment-Free Workplace training, 88 attended Harassment: A conversation with managers, 14 attended Preventing and Addressing Harassment: Conversation with Team Leads, 11 attended From Bystander to Upstander, and 1 attended Refresher Training: Preventing and Addressing Sexual Harassment. It also cites that a new mandatory course “What’s Your Role? Preventing and Addressing Sexual Harassment at the WBG Refresher” has been launched in FY22, dealing with sexual harassment and potential misconduct from different perspectives: (person who feels they are being harassed; person who is told they are engaging in harassing behaviour; the witness/bystander; and the manager).
At IFC, EU decided to extend its program beyond newly appointed IFC senior leaders to include Directors those that were already in their positions. In total, 14 IFC senior leaders attended the Senior Leaders Onboarding in fiscal year 2022, including six VPs, seven Directors and one Chief of Staff.

**Element 5: The IFC provides multiple channels through which staff can report incidents of SH, supported by an anti-retaliation policy.**

There are multiple avenues for reporting including through line management, though the EIJ (via email, phone, or in-person), through the Anti-Harassment Coordinator (AHC), via an online form, or through a 24/7 hotline with an anonymous option. Similarly, these mechanisms are available for receiving advice, both formal and informal, which has allowed staff to come to the AHC or EU before the situation rises to the level of misconduct. Other resources available include: Ombuds Services (a confidential, impartial and informal service that facilitates the resolution of workplace issues, independent from WBG management channels); Respectful Workplace Advisors (volunteer peers who serve as an informal and confidential sounding board, and help colleagues identify options to address workplace concerns by providing information about available resources); Mediation Services (offers mediation, facilitation, training, and team-building services); and Peer Review Services (offers a confidential review of staff’s employment-related concerns before an impartial and independent panel of peers).

All of these avenues of advice and reporting are outlined in the Code of Ethics, and EBC-specific avenues can be found on the EU website. There is also evidence that these resources are shared as part of training. It is not clear the extent to which all of these avenues are gender sensitive.

There has been an increase in reporting, largely attributed to the introduction of the Anti-Harassment Coordinator (AHC), which has been highly publicized. In FY22, 27 allegations of sexual harassment were reviewed (23 by AHC and 4 by BIR), 4 allegations of sexual exploitation and abuse (2 by AHC and 2 by BIR), 173 allegations of harassment (157 by AHC and 16 by BIR) and 5 allegations of other inappropriate behaviours reviewed by AHC. Of the allegations of sexual harassment made, more than a third were reported by managers and more than half were reported by the victim. The number of allegations of sexual harassment reported against someone in IFC is particularly low (one allegation only) when compared with the level of reporting at the World Bank.

IFC staff perceptions regarding sexual harassment are tracked in the WBG staff surveys. The WBG 2022 Pulse Survey shows generally positive perceptions (see Table 4.2 for details), but weaker regarding reporting of harassment:

- The vast majority of IFC staff had not personally experienced sexual harassment in the WBG in the last year with responses on a positive trajectory over time.
- The majority of agreed that the WBG was committed to create an environment where harassment/sexual harassment are not tolerated.

Source: WBG 2022 Pulse Survey

Anti-retaliation is enshrined in the staff rules and reiterated in the Code of Ethics. Retaliation is subject to misconduct proceedings itself. Despite this, according to the WBG staff survey, a significant minority of staff indicated that they do not feel comfortable reporting (EU Annual Report FY22).

Resources available to staff are conveyed as part of training as well as in the annexed to the Code of Ethics. The Annual Report also indicates that these resources are communicated to some extent to staff, especially in the field, through missions and town halls.

**Element 6: The IFC seeks to address cases of SH in a timely way and timelines for resolution are tracked.**

The time in responding to allegations of SH and in investigating allegations is tracked. Efforts are made to reduce the timeline to address allegations of sexual harassment, a priority in the SH Action Plan. The SH Action Plan stipulates that EU will provide a receipt and acknowledgment of an allegation within one business day, complete the intake and assessment within 10 days, and complete the investigation process
(excluding report writing) within three months of receipt of the allegation. EIJ further commits to completing preliminary inquiries within one month of receipt of an allegation.

In general, the message from the Action Plan and from the Annual Reports indicate that EIJ is committed to streamlining response procedures and increasing transparency. EBC, in its annual report, notes that a number of factors contribute to the average processing time of each case, including an increase in the complexity of allegations received in FY22, the inclusion of subsequent misconduct allegations such as retaliation, the need for translation/interpreters, and requests for extension on the part of the subject for additional time to respond to the allegations. These were general bottlenecks identified across different ethics issues rather than being specific to sexual harassment allegations, for which no specific bottlenecks were identified.

Evidence in the FY22 Annual Report shows that, in FY22, the average processing time for instances that necessitated a report to the HRVP was 343 days, with 179 days being the lowest (sexual harassment case) and 497 days being the highest (non-compliance with Staff Rules case). For those that did not require a report, the processing time is significantly shorter (122 days on average for those closed during the preliminary inquiry stage and 161 days for those closed during the investigation phase).

An annual satisfaction survey is implemented by the AHC for individuals who have used the services of the office (in 2022, average satisfaction ratings were 4.6/5.0). This information is used to continuously improve the services provided to survivors, including timeliness.

Element 7: The IFC reports regularly, both internal and externally on the number and nature of actions taken to address SH.

EIJ reports regularly to the Executive Board and to the HR committee of the Board. EIJ does release an Annual Report, but it is not evident in documentation how allegations/cases of sexual harassment are reported to or discussed with the Board. The EIJ Annual Report includes a special report on sexual harassment that outlines the status of situations involving harassing or sexually harassing behaviours received and addressed by the AHC and the outcomes of the situations addressed.

The report further notes the number of sexual harassment allegations received and provides detailed information on these, including the classification of the type of sexual harassment, the institution from which it was received, the location of the allegation offense, the grade level and gender of the complainant, and the grade level and gender of the alleged offender. These are anonymized and aggregated for the fiscal year.

Staff rules list the disciplinary measures available to the WBG for instances of established misconduct, which includes censure, suspension of pay, demotion, restrictions on promotion, loss of benefits, termination, and loss of future employment and contractual opportunities with WBG; they note that disciplinary decisions are made on a case-by-case basis depending on the severity of the misconduct.

Although the Staff Rules outline that loss of future opportunities for employment at the WBG as one of the potential disciplinary measures available for instances of misconduct, there is no documentation that all instances where sexual harassment is substantiated results in prevention of rehiring.

**MI 4.8 Evidence confidence**

**Performance Area: Relationship Management**

*Engaging in inclusive partnerships to support relevance, leverage effective solutions and maximise results*

<table>
<thead>
<tr>
<th>KPI 5: The MO’s partnerships with clients and host governments support the alignment of operations to the strategic vision, including impact goals, financial sustainability and risk management.</th>
<th>KPI score</th>
</tr>
</thead>
<tbody>
<tr>
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<td>3.40</td>
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The introduction of WBG Country Partnership Frameworks (CPFs) in 2014 has helped promote alignment with national development priorities while identifying opportunities for market creation. CPSDs help ensure that IFC provides more systematic and substantive input into the development of CPFs and are also a key tool that informs IFC’s own planning and strategic processes in identifying opportunities for private sector-led growth. IFC also develops its own Country Strategies to operationalise IFC 3.0 and promote market creation in challenging contexts through upstream engagement, advisory services and investment. Investments are supervised quarterly after commitment. IFC has a comprehensive risk management framework that covers a range of risks throughout the investment lifecycle, including credit risk, client capacity and integrity due diligence and environmental and social (ES) risk. Investment supervision feeds into a robust portfolio monitoring function, which plays an important role in drawing management attention to performance issues and risks. Client feedback is sought through an annual client feedback survey, with client satisfaction monitored and reported through the corporate scorecard.

<table>
<thead>
<tr>
<th>MI 5.1: The MO’s strategies align with regional/country development priorities and intended national/regional results, taking into account market conditions and financial sustainability goals.</th>
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<tr>
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<td>Element 2: The MO identifies opportunities to achieve market impacts and promote a business enabling environment through both investment and non-investment activities.</td>
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<td>Element 3: The MO’s country strategies or regional strategies relate to national or regional goals where alignment is appropriate in the context of the strategic vision.</td>
<td>3</td>
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<tr>
<td>Element 4: The MO has processes and structures in place for specialised staff, including country, sectoral and other relevant experts, that allow them to invest time and effort in alignment process and to give guidance to the operational departments and teams for investments and other operations.</td>
<td>3</td>
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</table>

**MI 5.1 Analysis**

**Element 1: IFC has processes and structures in place to facilitate consultation with governments in the countries in which they operate.**

First, IFCs' role in Country Partnership Framework (CPF) and other country engagement processes has been made more explicit and substantive since the 2014 directive. Further, the 2021 Engagement Guidance indicates that since CPFs (including Completion and Learning Reviews), Performance and Learning Reviews and Country Engagement Notes are joint documents they are approved by management of all WBG entities, including IFC. This Guidance further states that the one WBG approach is meant to ensure consideration of all institutions during the preparation and review of Country Engagement components even though the depth of input to specific country programs may vary. Second, IFC processes and structures facilitate the alignment of objectives of national development and WBG/IFC strategies. Finally, CPFs formulated during COVID-19 identify and address borrower countries’ needs as they relate to COVID-19.

The Country Private Sector Diagnostics (CPSDs) and IFC Country Strategies contribute to improved and more systematic and substantive contributions by IFC to the CPFs and enhance IFC’s ability to address constraints to increasing private investment in client countries. CPSDs are intended “to shape IFC’s own strategy, country engagement, and activities, and those of the broader [WBG]” ([ap_ifccountrydiagnostics.pdf](worldbankgroup.org)). They serve as an analytical base to shape the WBG’s approach and dialogue (with governments and the private sector) to increase private sector participation in the economy overall and in sectors that have potential for growth. The IFC Country Strategies were developed to strengthen the strategic approach to creating markets. They are internal documents which shape both strategy and define sequenced set of activities (investment, advisory, and upstream). They also give IFC a stronger and more evidence-based influence on the CPFs.

ICF Country Strategy template indicates the inclusion of a section on linking IFC’s role to development challenges, which includes links to government programs/priorities as listed in the Government’s Strategy/Plan. Strategic priorities identified in the IFC Country Strategy should address the overlap between a country’s priority development gaps and areas where IFC has a comparative advantage. A review of a

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<td>38, 40, 45, 51, 61, 62, 63, 72, 155, 172, 179, 180, 307, 357, 400, 409, 411, 424</td>
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sample of Country Strategies suggests that this linkage between country development gaps and objectives and IFC Strategic priorities is demonstrated consistently.

MOPAN survey results indicate that stakeholders are generally positive (88%) regarding IFC’s work reflecting the development needs and priorities of the countries they work in. Host governments are mostly positive (35% strongly agree, 38% agree, and 15% somewhat agree).

**Q4[02] IFC’s work reflects the development needs and priorities [of COUNTRY].**

![Survey Results Diagram]

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<tr>
<th>Stakeholder</th>
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<th>Agree</th>
<th>Somewhat agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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Element 2: The Country Partnership Framework (CPF) is informed by Systematic Country Diagnostic (SCD), and more recently Country Private Sector Diagnostics (CPSDs), which help identify priority sectors and opportunities to achieve market impacts and promote a business enabling environment but references to advisory services are limited. CPSDs support the development of IFC Country Strategies, which identify a portfolio of potential investment and non-investment activities.

First, SCDs’ approach to the private sector is oriented towards analysing the government policy response towards improving the business climate. IEG’s 2019 Creating Markets Evaluation recommended to “Enhance the understanding of market creating opportunities and associated constraints at the country level and ensure that such knowledge is adequately reflected in the CPF”.

Since then, IFC has launched Country Private Sector Diagnostic (CPSD), which is prepared jointly with the World Bank and has better outlined market creation and IFC’s role in it and have thus better informed the WBG engagement framework. CPSDs are meant to include: a country-specific assessment of the state of the private sector; an identification of economywide and sector-specific constraints that may limit market creation and private sector development in the country or in specific sectors; an identification of near-term opportunities for private sector engagement; and policy recommendations to remove policy and regulatory barriers to better mobilize private investments and address development challenges (ap_ifccountrydiagnostics.pdf [worldbankgroup.org]). During the review period, 40 CPSDs have been completed, most of them since fiscal year (FY) 2020 (Table 18).

**Table 18. Country Private Sector Diagnostics (CPSDs)**

<table>
<thead>
<tr>
<th>Region</th>
<th>CPSDs</th>
<th>FCS</th>
<th>FY</th>
<th>CPSDs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>24</td>
<td>8</td>
<td>2018</td>
<td>2</td>
</tr>
<tr>
<td>EAP</td>
<td>6</td>
<td>1</td>
<td>2019</td>
<td>4</td>
</tr>
<tr>
<td>Europe</td>
<td>3</td>
<td>1</td>
<td>2020</td>
<td>8</td>
</tr>
<tr>
<td>LAC</td>
<td>6</td>
<td>1</td>
<td>2021</td>
<td>9</td>
</tr>
<tr>
<td>MCAT</td>
<td>4</td>
<td>1</td>
<td>2022</td>
<td>17</td>
</tr>
<tr>
<td>S. Asia</td>
<td>3</td>
<td></td>
<td>2023</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
<td>11</td>
<td></td>
<td>46</td>
</tr>
</tbody>
</table>

Source: CPSD website. EAP=East Asia. LAC=Latin America and Caribbean. MCAT=Middle East, Central Asia, Türkiye, Afghanistan and Pakistan. S. Asia=South Asia. FCS=Fragile and Conflict-Affected Situations.
According to Management’s own assessment (Enhancing Evidence-Based Learning for Outcomes through the Management Action Record FY18-22, 2022), “As of May 2021, CPSDs informed 10 SCDs, 16 CPFs. CPSDs also inform all IFC country strategies” and “A 2021 survey assessing CPSDs’ influence found that WBG senior management and team task leaders (TTLs) concur that CPSDs influence country strategies and operations”.

Second, the Anticipated Impact Measurement and Monitoring (AIMM) framework considers “market outcomes” as part of its overall framework – the extent to which an intervention improves the structure and functioning of markets in several areas (competitiveness, resilience, integration, inclusiveness and sustainability). Creating markets relies often on different interventions, e.g., upstream market enabling work followed by investment and IFC has an objective of strong market creation in its corporate scorecard. The impact potential is assessed by determining the size of the gap (i.e., the more underdeveloped a market is, the bigger the gap) and the intensity (i.e., the more a project contributes to a solution, the higher the intensity). There are also 21 AIMM sector frameworks, which provide the background work to achieve market impacts through investment activities in line with sector strategies. These sector frameworks outline the development impact hypothesis for IFC activities in the respective sector, define benchmarks for the assessment of gaps and intensities, and provide rating conventions for core impact claims and likelihood assessments to allow for a more unified approach to generating AIMM rating judgements.

Third, IFC Country Strategies elaborate IFC’s strategic priorities and operational plan in individual countries. The priorities are identified and addressed in light of country development priorities and gaps, and IFC’s value-addition as part of a WBG package of support. In doing so, these strategies draw heavily from the gaps and opportunities identified in CPSDs. In particular, IFC Country Strategies identify: (i) key policy reformed in priority sectors and their potential implications for future investment; and (ii) planned IFC 1.0/2.0 operations (termed “traditional business” and planned IFC 3.0 operations (upstream work), providing a balanced perspective of how IFC plans to implement investment and non-investment activities to deliver on strategic objectives. IFC 3.0 activities may or may not be linked to key policy reforms. Country Strategies are reviewed every 6 months based on progress achieved and emerging opportunities. In this way, IFC Country Strategies provide a comprehensive view of IFC’s operations in different countries.

MOPAN survey results indicate that stakeholders generally respond positively (83% of respondents) to the statement “IFC’s strategy and work is informed by credible analysis and understanding of the market”.

Element 3: National development priorities are reflected in CPFs and Governments are consulted on private sector development. However, evaluations indicate that the nature of consultations are unclear, as is the extent to which direct consultations with the private sector are utilized.

First, national development priorities are reflected in CPFs, as it is a requirement set out in the guidance. While Governments are consulted, the 2017 IEG evaluation of Systematic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPF) indicated that this was limited. Furthermore, it is not clear how national governments are consulted and how consultations with the private sector which happen more directly are utilized. IEG’s 2017 SCD and CPF evaluation found that “The discussions tended to give a government-centric, policy-oriented view and did not adequately draw on the private sector perspective.
that IFC, in particular, could have provided”. It is important to point out that these findings relate to SCDs and CPFs prior to the review period. The introduction of the CPSDs has likely led to greater integration of the private sector perspective in CPFs (see Element 2).

The 2022 RAP indicates that early experience with IFC country strategies showed that they offer potential for increasing IFC’s focus on country outcomes.

Per the WBG Africa Regional Integration Strategy, the Regional Integration (RI) unit provides necessary input to all CPF discussions “to strengthen alignment between country and regional programs”. Specifically, under the strategy, IFC focuses on three focus areas: “(i) support regional connectivity and develop sub-regional infrastructure, (ii) develop regional value chains and support regional champions, and (iii) disseminate inclusive private sector solutions across Africa, foster partnerships, trade, and capital flows."

The 2019 IEG evaluation on WBG support to fostering regional integration found that “The role of the private sector and industry associations in Bank Group–supported regional integration projects has been limited to date” and that “the Bank Group will have to intensify efforts to convene current players and new private sector actors”. IFC itself does not have publicly available regional strategies. It does take an active leadership role in relevant regional initiatives; for example, it is a member (and the Secretariat) for the Alliance for Entrepreneurship in Africa which was launched in 2022 with other interested development finance institutions and the French Treasury.

**Element 4: IFC has scaled up its country presence in recent years, including through the hiring of Third Country Nationals, contributing to enhanced responsiveness to clients.**

IFC has continued to open new offices in Africa and interviews with country managers also confirmed engagement in the WBG country strategy discussions. Having said that, it also confirmed that IFC’s focus is relatively much more on the IFC country strategy than on the CPF, which reflect country development challenges and gaps as well as IFC’s potential value addition and are developed in consultation with the private sector, development partners and host governments. At the level of the individual operation, IFC requires on a routine basis non-objection by host governments before approval of the transaction.

An IEG Evaluation of the World Bank’s Global Footprint describes the evolution of IFC’s decentralization as follows: Starting in 2009, IFC delegated its decision-making authority for investments to senior managers in the field, leaving only industry or sector specialists at headquarters, which made it easier for IFC to interact and respond to clients but also led to concerns about silos and risk. Thus, in 2018, some of IFC’s decision-making shifted back toward headquarters to ensure quality and consistency across regions.

For its field presence staffing, IFC relies largely on Third-Country Nationals (TCNs); who bring cross-country knowledge. Although it is too early to assess the impact, IFC’s experience with decentralization has shown benefits, such as a “better understanding of local markets and the local political economy, projects that are better tailored to client needs, increased informal interactions between staff and clients leading to greater trust, and more business opportunities generated from staff-client dialogues”. However, some pitfalls have also been identified such as dilution of accountability, lengthening of investment processing, and a reduction in staff empowerment and agility. (IEG Evaluation of WB’s Global Footprint).

Table 19 shows that over the last several years more than half of IFC’s staff have been located in country offices.

<table>
<thead>
<tr>
<th>Table 19. IFC Contracts located in Country Offices (COs), by end of FY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Percent IFC Contracts located in CO</td>
</tr>
<tr>
<td>Percent HQ Contract located in CO</td>
</tr>
</tbody>
</table>

**MI 5.1 Evidence confidence**
### MI 5.2: The MO applies contextual/ situational analysis (shared where possible) to shape the designs and implementation of investments and other operations.

<table>
<thead>
<tr>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating: Satisfactory</td>
</tr>
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<td>Overall MI score: 3.33</td>
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</table>

<table>
<thead>
<tr>
<th>Element</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Element 1: Designs and proposals for investments and other operations prepared by project teams contain a clear statement that positions the operation within the external operating (“transition”) context.</td>
<td>4</td>
</tr>
<tr>
<td>Element 2: The MO reviews investments and other operations with partners to take note of any significant changes in context.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: The MO has financing mechanisms, including restructurings, and targeted programs available, when appropriate, to mitigate the impact of external shocks and crises that harm existing investments.</td>
<td>3</td>
</tr>
</tbody>
</table>

### MI 5.2 Analysis

#### Element 1: Interventions are designed to be well positioned in the operating context, including through the use of AIMM and the introduction of a revised Additionality Framework

Projects and proposals are informed by IFC’s development impact system, the Anticipated Impact Measurement and Monitoring (AIMM) system. The AIMM considers “country context in its assessments and captures greater development impact potential in projects that seek to address the widest gaps in the most difficult environments.” Consequently, using AIMM, project teams assess whether or not projects have transparent and credible development outcomes that address a country’s development gaps as well as have the option to visualize contribution to sector strategies and IFC overall.

IEG’s 2022 RAP further found that projects with highly successful development outcome ratings were well situated in the external context in terms of having high ratings on IFC’s role and contribution or additionality to the project and the client, and in exceeding IFC’s expected investment returns (as well as for IFC’s work quality). Conversely, projects with highly unsuccessful development outcome ratings were rated poorly on IFC’s role and contribution and investment return to IFC (and IFC’s work quality).

Finally, the FY19-21 Strategy and Business Outlook (SBO), stated that “IFC is working to strengthen its additionality framework.” IFC launched its revised additionality framework in May 2018. The Framework responded to the IFC Executive Board’s request to increase the rigor and candour of IFC’s assessment and articulation of additionality.

IEG’s 2023 evaluation of IFC’s Additionality in Middle-Income Countries (MICs) found that “IFC’s additionality framework and accompanying guidelines for staff provide the basis for clarity and rigor in articulating additionality in investment project approval documents. Furthermore, its internal review process enhances the quality of additionality claims.” This project level focus is consistent with the MDB’s Harmonized Framework for Additionality which IFC follows. Consequently, IEG’s recommendation that “IFC should incorporate its additionality approach into its country strategies and sector deep dives” in line with its increased focus on market creation goes beyond IFC’s framework and the approach for project-level additionality agreed among MDBs.

Specifically, the management response to the evaluation indicated that “although we agree in principle with the recommendation, we would nonetheless like to emphasize that IFC captures and realizes additionality at the project level. It is an approach shared by other multilateral development banks and forms the basis of the banks’ harmonized additionality framework. IFC management will explore how project-level additionality considerations can inform country- and sector-level engagement, where feasible. Moreover, IFC’s approach to assessing strategic priorities and engagement areas at the country level is based on a number of factors, including development needs, comparative advantage, and our role.”

#### Element 2: IFC does actively supervise its portfolio and makes adjustment based on changes in the external environment. However, it is unclear the extent to which it does so in conjunction with other partners or actively shares its reviews with other partners.

72, 80, 82, 115, 142, 163, 187, 201, 211, 219, 234, 238, 306
IFC investment projects are actively supervised after commitment. It undertakes periodic project reviews as part of the supervision process, in which risks that impact feasibility, commercial viability, or potential development outcomes are assessed and – to the extent possible – addressed. AIMM tracks development outcomes during supervision. A project enters the portfolio one fiscal year after commitment and then the expected project outcomes are monitored annually (by portfolio officers and the Development Impact Measurement department). Market outcomes – since they take longer to materialize – are assessed by CDI every other year starting with early operating maturity, until projects reach their target year (Overview of Portfolio AIMM monitoring, 2021).

Risks related to feasibility and commercial viability are covered as part of credit rating (CR) tracking; when projects are experiencing challenges that undermine viability, IFC undertakes analysis and negotiation to enhance recoveries and project outcomes. IFC systematically carries out portfolio reviews, which cover credit and environmental and social risks. According to interviews AIMM were previously not formally included as part of IFC’s portfolio reviews; however, other stakeholders reported receiving several requests from portfolio teams for this information to facilitate portfolio reviews. Portfolio AIMM data are currently reported and monitored as part of quarterly operations reports.

Finally, as part of the Master Cooperation Agreement (MCA), IFC has standardized documentation templates, thereby increasing the potential for information sharing with borrowers and lenders alike.

**Element 3: IFC actively restructures its projects on an ongoing basis and in the presence of broader impacts from external shocks, it puts in place systemic approaches to support restructuring.**

On an ongoing basis, when projects show signs of financial distress, IFC’s Department of Special Operations in the Risk and Finance Vice Presidency works to implement the restructuring, or possible recovery, of IFC’s exposure. In response to COVID-19, IFC launched a Fast-Track Covid Facility (FTCF) for USD 8 billion, which included several programs to support existing clients with new loans and equity investments as well as trade facilitation and credit lines to emerging markets banks. These included (each for USD 2 billion):

- Real Sector Crisis Response, which provided support to existing clients in the infrastructure, manufacturing, agriculture, and services industries vulnerable to the pandemic;
- Global Trade Finance Program, which covered payment risks of financial institutions so they could provide trade financing to companies that import and export goods;
- Working Capital Solutions Program, which provided funding to emerging market banks to extend credit to help businesses shore up their working capital; and
- Global Trade Liquidity Program and the Critical Commodities Finance Program, which provided funding and risk-sharing support to local banks, allowing them to continue to finance companies in emerging markets.

IFC subsequently added, in a second phase of its response, a base-of-the-pyramid program for financial service providers (USD 0.6 billion) to provide additional support for low-income populations hit by the pandemic. As of end-FY22, IFC had provided USD 7.4 billion of the USD 8.6 billion, financing 104 projects, mainly in financial services and manufacturing (IFC Annual Report FY22).

IFC also added a Global Health Platform (USD 2 billion from its own account and USD 2 billion mobilisation), aimed at increasing access to critical health-care supplies, by financing manufacturers, suppliers of critical raw materials and service providers. As of end-FY22, IFC had invested USD 1.1 billion of its own account and mobilized USD 576 million and had a project pipeline of USD 800 million (IFC Annual Report FY22).

It was less clear, however, how IFC tries to restructure projects when development results are not being achieved, since AIMM is not routinely included in portfolio review meetings.

IFC’s COVID response clearly demonstrated that IFC has appropriate measures in place to address systemic external shocks. The 2023 IEG Early-Stage Evaluation of the WBG COVID-19 response found that IFC’s early response was focused on existing clients and that “Without IFC […] existing clients would have either defaulted on loans or cut back on their on-lending programs, leading to severe supply chain disruptions and...
The evaluation also found that the WBG “coordinated well in their early response to support the financial sector and MSMEs”.

In Ukraine, following the outbreak of the war, IFC provided working capital to its clients, to enable continued access to food, fuel and medicine. For example, IFC helped one of Ukraine’s leading agricultural producers to stay in business, to proceed with spring planting. IFC was preparing to launch two new financing platforms: (1) Leveraging blended finance, a platform “prioritizing investments to support the resilience of businesses, displaced people, and affected municipalities and address immediate logistics and energy needs”; and (2) A Global Food Security Platform, to facilitate the trade of food commodities and the delivery of inputs to farmers, supporting efficient production and effective distribution of food products in destination countries, in addition to improving the resilience of the global food system”. This, however, is beyond the review period of this assessment.

### MI 5.3: The MO assesses the management and implementation capacity of clients for investments and other operations and strategies are implemented to address any weakness found.

#### Score

<table>
<thead>
<tr>
<th>Overall MI rating</th>
<th>Satisfactory</th>
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<td>Overall MI score</td>
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<table>
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<tr>
<th>Element 1:</th>
<th>Designs for investments and other operations include an assessment of the management/implementation capacity of investee clients (e.g., Integrity Due Diligence, corporate governance, risk management, E&amp;S standards).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Element 2:</th>
<th>Where appropriate, weaknesses in management/implementation capacity are mitigated through use of advisory services/technical assistance and/or reflected among conditions of disbursement.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>3</td>
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</tbody>
</table>

#### MI 5.3 Analysis

**Element 1:** IFC’s processes are designed to assess client capacity and integrity due diligence. An internal audit found that at that front-end these integrity processes are adequately designed with clearly defined roles and responsibilities.

Clients are assessed on several risks including: Strategic (AIMM), ESG (Environmental & Social - E&S and Client Corporate Governance), Climate, Integrity, Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), and External Financing risk. All investments are also assessed for Client corporate governance along the following areas: effectiveness of the Board of Directors; sufficiency of internal controls, audit, risk management and compliance; adequacy of financial and non-financial disclosures, including ESG/sustainability reporting; adequacy of shareholders’ rights; adequacy of governance of stakeholder engagement; and demonstration of the client’s commitment to implement high quality corporate governance policies and practices. Moreover, the template for investment proposals includes a section on capacity, including a description of the management structure, a technical feasibility of the company’s ability to implement the project and any relevant technical assistance. Client capacity assessments occur twice - as part of the investment ‘early review’ as well as at the ‘appraisal’ stage.

As part of IFC Sustainability Framework, clients must manage their "environmental and social risks and impacts in a manner consistent with the Performance Standards (IFC, Policy on Environmental and Social Sustainability, 2012). As part of the E&S due diligence process, IFC assesses the client’s capacity, maturity, and reliability of their E&S corporate management system to manage E&S performance effectively as well as assesses any gaps in clients’ ability to manage risks and identify measures to address them.

All IFC engagements, from short-term advisory projects to long-term debt financing and equity investments, are subject to IFC’s IDD process, which includes a general risk review, an ownership structure review, and other specialized reviews for financial institutions and private equity funds. The process for each project typically includes input from country offices on market intelligence and insights, open-source research, daily screenings of individuals and entities against various sanctions, watch, and regulatory lists, external...
reference checks, and potentially hiring independent external risk consultants and local council. While we did not review IFC’s current templates, interviews confirmed the role of IFC’s country managers in the Integrity Due Diligence (IDD) process. If after the appropriate level of research a risk is identified, operations staff conduct an initial assessment of the risk, which is reviewed by IFC’s Business Risk and Compliance function.

Following this review, if it is determined to go forward with the project, mitigation measure may be implemented, such as compliance arrangements or reputational ‘put options.’ If appropriate, the integrity risk issue is escalated to IFC management to determine whether to accept the risk. Ultimately, a decision is made such that IFC balances potential adverse reputational or economic risk with potential development impact or financial return. These accepted risks are then disclosed to the Board and contract terms are negotiated. IDD is then conducted throughout the project cycle, as parties change, projects are restructured, business interested are sold, there are changes to management, litigation occurs, regulatory issues arise, or there are new developments regarding existing risks. (Unique Markets, Responsible Investing: IFC’s Integrity Due Diligence Process).

An FY21 Audit of IFC’s IDD Process “concluded that IFC’s IDD process is adequately designed as governance and oversight mechanisms are well established; the process for identification and assessment of integrity risks, along with roles and responsibilities, is clearly defined; business units are supported by the Business Risk and Compliance (CBR) unit in the assessment and ongoing screening of integrity risks; and periodic reporting to IFC’s senior management by CBR is in place.” “However, the operating effectiveness of the IDD process needs to be strengthened through improvements in: (i) the monitoring of integrity risks during project supervision; (ii) the IDD approach for its operations in countries experiencing fragility, conflict, and violence (FCV)” (GIA Annual Report, FY21).

A similar Audit of IFC’s Global Trade Finance Program (GTFP) also found that IDD during supervision could be strengthened (GIA Annual Report FY22). Specifically, the report found that screening details for GTFP counterparts had not been consistently updated in accordance with IFC’s IDD Procedure. IFC has made improvements to the relevant processes, through developing tailored approaches for IDD in FCV locations and strengthening IDD during project supervision and the IDD screening system.

Element 2: IFC deploys advisory services to address weaknesses in management and implementation capacity. IFC also makes disbursements conditional on meeting certain benchmarks.

As elaborated in Element 1, IFC deploys advisory services (AS) and conditions disbursements on meeting certain milestones to mitigate identified risks, wherever appropriate.

IEG’s 2022 Results and Performance (RAP) of the WBG identified that investment projects with advisory support had better development outcome and additionality ratings. In terms of Environmental and Social (E&S) risks or deficiencies, IFC conditions disbursements against the execution of management plans. It is unclear how systematically advisory services are used to address weaknesses.

IEG’s 2023 evaluation of IFC’s Additionality in Middle-Income Countries found that AS only materialized in 57% of the cases where it had been envisaged, and that the difference was particularly concentrated in the areas of (i) knowledge, innovation and capacity building; (ii) non-commercial risk mitigation, and (iii) standard setting (in particular environmental, social and governance – ESG standards).

Regarding conditions of disbursement, we did not independently assess the extent to which these are routinely followed but given that IFC’s internal audit of IFC’s management of credit risk in its debt portfolio (the largest portion of IFC’s portfolio) “concluded that management of credit risk in the debt portfolio is sufficiently designed as governance and oversight mechanisms have been established and policy and guidance documents have been developed. Credit risks are identified, assessed, and monitored throughout the project lifecycle with defined roles and responsibilities.”, it appears that these processes are working well.
MOPAN survey results indicate that stakeholders mostly agree (79% favourable) that IFC assesses client capacity and provides sufficient support where that is found to be inadequate; 11% indicated that they didn’t know or had no opinion.

<table>
<thead>
<tr>
<th>MI 5.3 Evidence confidence</th>
<th>Medium Confidence</th>
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</thead>
</table>

**MI 5.4: Detailed risk (strategic, political, reputational, operational) management strategies ensure the identification, mitigation, monitoring and reporting of risks.**

<table>
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<th>Overall MI rating</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall MI score</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The MO has identified a clear framework for assessing different types of risk during the preparation of investments and other operations and determining which are most prominent.</td>
</tr>
<tr>
<td>2</td>
<td>The MO’s investment assessment and structuring include a detailed analysis of commercial viability and means of mitigating financial performance risk and market risk including identification of whether there is a need for blended concessional finance.</td>
</tr>
<tr>
<td>3</td>
<td>The MO has a system in place to monitor the financial performance of the investee and address risks to financial sustainability throughout the investment cycle.</td>
</tr>
<tr>
<td>4</td>
<td>The MO’s process for assessment and structuring of investments and other operations includes a detailed analysis of political and reputational risk.</td>
</tr>
<tr>
<td>5</td>
<td>The MO has systems in place to assess and mitigate environmental and social risks and any risks to achieving impact in the context of the investment’s sustainability throughout the lifecycle of the investment.</td>
</tr>
<tr>
<td>6</td>
<td>The MO has processes in place to assess client capacity and risks with respect to SEAH during the design and implementation of investments and other operations, with action taken on any deficiencies to mitigate against reputational risks.</td>
</tr>
<tr>
<td>7</td>
<td>If blended concessional finance is used as a de-risking instrument, the MO has processes in place to ensure adherence to the DFI Enhanced Blended Concessional Finance Principles for Private Sector Operations.</td>
</tr>
</tbody>
</table>

**MI 5.4 Analysis**

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IFC has a clear framework for assessing risks during the preparation of operations i.e., its Enterprise Risk Management Framework, including the identification of prominent risks.</td>
</tr>
</tbody>
</table>

IFC Enterprise Risk Management Framework identifies six categories of risks: credit risk, market risk, operational risk, strategic and business risk, liquidity, funding, and Asset Liability Management (ALM) risk, and other financial risks. As part of project appraisal, the investment team assesses the risks associated with the project. The Tier Three Project Committee (T3PC) approves new projects based on its review which ensures that projects meet certain risk criteria, including “certain economic capital thresholds, nominal...”

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interest amounts, credit ratings, and/or complex Environmental and Social (E&S) and/or integrity issues.”

(IFC, Management’s Discussion and Analysis and Consolidated Financial Statements June 30, 2022)

The framework also identifies the staff engaged in business origination, revenue generation, and client facing areas of IFC as the first line of risk management, with these staff responsible for the identification and recording of these risks as well as the related reporting, management, and decision making.

IEG’s 2022 Results and Performance (RAP) of the WBG reconfirmed the importance of IFC’s due diligence on the project and the sponsor, as well as the structuring of the project in a manner that mitigates risks in development outcomes.

Internal audit found for more recent approvals that front-end processes were generally working well (see also above 5.3).

Element 2: IFC investment proposals analyse commercial viability and propose credible justification for blended finance.

Investment Proposals are expected to include a section on market and sales, including market share of proposed venture, market competition, and critical factors that determine market potential. As part of Anticipated Impact Measurement and Monitoring (AIMM), commercial viability and development impact is analysed. Blended finance, when used, is based on credible justification and enhanced principles.


Interviews indicated that, by 2019, IFC brought together all concessional finance into one group – IFC’s Blended Finance Practice – creating a centre for expertise for all work regarding concessional finance at IFC internally and positioning IFC externally as a leader in the DFI Working Group on Blended Concessional Finance for Private Sector Projects. Interviews confirmed that the Blended Finance Practice ensures that the subsidy is consistent with the DFI principles.

Element 3: IFC monitors financial performance during the entire project cycle and addresses risks to financial sustainability.

A recent audit confirmed that the processes for the debt portfolio (which constitutes the vast majority of IFC’s investments) are working well. Declining non-performing loans (NPLs) also indicate that the financial sustainability of IFC’s clients is generally strong.

As previously noted, credit risk assessments and integrity due diligence are conducted for all investments. Thereafter, all projects are periodically reviewed for compliance and risks as part of portfolio reviews that focus on financial and credit risks. Clients are required to submit regular reports on financial as well as social and environmental performance. Through ongoing dialogue, IFC supports clients to solve any issues or identify new opportunities that may arise. Projects with higher credit risk are followed more intensively and are subject to mitigation. IFC will work with clients to remedy the failure to address risks raised in assessment and consequent management plans. IFC will undertake legal remedies as required if the client cannot remedy new or previously identified risks.

A FY21 audit on IFC’s Management of Credit Risk in the Debt Portfolio “concluded that management of credit risk in the debt portfolio is sufficiently designed as governance and oversight mechanisms have been established and policy and guidance documents have been developed. Credit risks are identified, assessed, and monitored throughout the project lifecycle with defined roles and responsibilities.” It is important to point out that the debt portfolio (loans and debt securities) constitutes the vast majority of IFC’s disbursed portfolio (over 75% as of June 30, 2022).
While IFC does not publicly report on credit risk ratings, it does report on non-performing loans (NPLs). Except for a brief uptick at the beginning of the COVID pandemic, NPLs have decreased over the review period (Figure 10), indicating an overall healthy portfolio.

**Figure 10. IFC Non-performing loans**

Source: IFC, Management’s Discussion and Analysis and Consolidated Financial Statements (FY13-22)

**Element 4: Reputational risks are analysed at an operational level, including through integrity due diligence. Political risks are assessed at a country level.**

IFC is concerned with its reputational risk in relation to its investments and its risk appetite – as stated in its Enterprise Risk Management Framework – includes efforts to safeguard its reputation. It specifically states that "In determining what engagement and activities to pursue, IFC will assess whether any potential adverse impact to its reputation is balanced by the potential development impact." (IFC Financial Statements 2021).

The issue of reputational risk is reflected in IFC’s management of integrity risks through the IDD process. If a risk is identified, it is escalated to IFC management to balance potential adverse reputational or economic risk with potential development impact or financial return. These accepted risks are then disclosed to the Board and contract terms are negotiated. As noted above, “IDD is conducted throughout the project cycle, as parties change, projects are restructured, business interests are sold, there are changes to management, litigation occurs, regulatory issues arise, or there are new developments regarding existing risks.” (Unique Markets, Responsible Investing: IFC’s Integrity Due Diligence Process).

Political Risk is assessed on a country level by the Economics Department, who assigns a Country Rating that is an integral part of the Credit Rating.

**Element 5: IFC has a policy and systems in place to manage E&S risks which has evolved and been strengthened over the assessment period.**

IFC has a policy to identify environmental and social (E&S) risks and address them. As part of the policy, clients must manage their "environmental and social risks and impacts in a manner consistent with the Performance Standards." (IFC, Policy on Environmental and Social Sustainability, 2012) Its Performance Standards (and Equator Principles consistent with the standards) position IFC as an industry leader in this area. IFC reviews the client’s capacity, maturity, and reliability of their E&S corporate management system to manage E&S performance effectively. As part of the E&S due diligence process, IFC will assess any gaps in its ability to manage risks and identify measures to address them. IFC supervises project E&S risks throughout the lifetime of the investment. This is done through site visits by IFC staff as well as through the submission of Annual Monitoring Reports by the clients on progress in meeting the E&S terms in the investment agreement.
In 2012, IFC updated the Sustainability and Performance Policy, most notably by including “more explicit commitments in the Sustainability Policy on climate change, business and human rights, corporate governance, and gender” (External Review of IFC/MIGA E&S Accountability 2020). It revised and strengthened the categorization system (placing greater emphasis on inherent risks and project context and applying Performance Standards to financial intermediaries (FIs) based on their classification into one of three categories); strengthened due diligence for FIs; clarified due diligence for advisory services; and strengthened requirements for extractive industry projects disclosure. It also strengthened specific provisions in individual Performance Standards. These Performance Standards have provided IFC and its clients more flexibility to use risk-based judgment to minimize E&S risks and improve E&S outcomes, stating that the client’s E&S management and IFC/MIGA oversight should be “commensurate with the level of social and environmental risks and/or impacts.” (Ibid)

IFC’s E&S systems are further supported by the Office of the Compliance Advisor Ombudsman (CAO). The CAO, established in 1999, serves as an independent recourse and accountability mechanism for IFC through three complementary functions: (i) dispute resolution for issues raised about the environmental and/or social impacts of Projects and/or Sub-Projects; (ii) compliance review with IFC’s E&S Policies, assessing related harm, and recommending remedial actions to address non-compliance and harm where appropriate; and (iii) advice to IFC and the Board with the purpose of improving IFC’s systemic performance on E&S sustainability and reducing the risk of harm. (IFC/MIGA Independent Accountability Mechanism (CAO) Policy, 2021). Both the dispute resolution and compliance review functions take place after a complaint has been made to and deemed eligible by the CAO. A complaint is deemed eligible if it relates to an active project and pertains to the environmental and social impacts of Projects.

The 2020 External Review further notes that compared to the previous Safeguards Policy, the IFC/MIGA Sustainability Policies and Performance Standards have given IFC/MIGA and their clients more flexibility to use risk-based judgment to minimize E&S risks and improve E&S outcomes. However, this has also contributed to disagreements between IFC/MIGA and CAO over CAO compliance investigations and reports.

Regular reporting on the portfolio and risk includes trends for E&S risk at the global and regional level and breakdowns of high E&S risk projects by region and industry. Reporting also identifies the number of E&S supervisions completed over the year, by month and against targets.

MOPAN survey results are generally positive (76%) regarding the inclusion of adequate assessment of environmental and social risks in the investment appraisal process with 18% of respondents indicating that they didn’t know. Results were somewhat less positive regarding the monitoring of environmental and social risks with only 65% of stakeholders responding positively; on this question, 29% indicated that they didn’t know or had no opinion. Over half of stakeholder (64%) responded positively regarding whether IFC employs appropriate safeguards to protect vulnerable people and help to ensure that its projects provide benefits for them; 27% indicated that they didn’t know or had no opinion.

**Q4[09] IFC’s investment appraisal process [in COUNTRY] includes an adequate assessment of environmental and social risks.**

---

Strongly agree | Agree | Somewhat agree | Somewhat disagree | Disagree | Strongly disagree | Don’t know / No opinion
Element 6: IFC conducts due diligence to ensure clients prevent and respond to SEA.

Social risks are defined broadly under IFC’s PSs and include non-discrimination and equal opportunity; inclusive stakeholder engagement; community safety, security, and well-being; threats to human security and impacts on the health, safety and well-being of workers and project-affected communities, among others. Thus, potential SEAH risks and related prevention and mitigation measures need to be identified by the client early in the project cycle and monitored throughout the implementation of the project.

IFC has developed tools such as the Gender and GBV Risk Screening Tool as part of overall due diligence assessment and to assist staff and IFC’s clients in identifying and addressing SEAH risks in investments. This allows IFC to work with the clients to help them identify groups at risk of gender-based violence including SEAH and put in place measures to protect such persons, as part of project design or as referenced in agreed E&S action plans. According to an interview, IFC has in the meanwhile conducted a portfolio review, identified 214 higher-risk projects and implemented training.

In addition to screening of new investments, IFC’s E&S Performance Standard 2 (2012) on Labour and Working Conditions states that clients will “prevent and address harassment, intimidation, and/or exploitation, especially in regard to women.” A Good Practice Note “Addressing Gender-Based Violence and Harassment” for the Private Sector also stipulates that projects receiving funds from IFIs are required to incorporate grievance mechanisms.

However, the 2020 External Review found weaknesses with respect to grievance mechanisms. These weaknesses include insufficient attention to grievance mechanisms by both the client and IFC as well as underutilization of grievance mechanisms due to lack of trust in the clients and fear of retaliation. Furthermore, as IFC had no centralized and systematic way to register and respond to complaints it received directly, its organizational response to complaints has been highly dependent on the initiative and professional judgment of the investment teams and managers who received the complaints. It is important to note that since then IFC has put in place a Stakeholder Grievance Response (SGR) team and IFC requires
real sector clients to have a grievance mechanism and FI clients for which this is considered critical. In response to this review, IFC publication of the resource Grievance Response Mechanism (GRM) Toolkit on SEAH contributed to improving client capacity and investment performance.

IFC’s Sustainability Framework requires all projects to have accessible grievance mechanisms (GM) to receive and facilitate the resolution of concerns and grievances from project-affected parties. Project grievance mechanisms include specific procedures for SEAH complaints, with confidential reporting and safe and ethical documenting of cases. IFC promotes the good practice for its projects to have functioning grievance mechanisms inclusive of SEAH complaints. For example, IFC tip sheet How to Support Your Company to Develop a Community-Based Grievance Mechanism for Sexual Exploitation and Abuse provides ‘How To’ steps for addressing related grievances from affected communities, including stakeholder consultation and how to set up a community-based grievance mechanism. IFC’s grievance mechanism toolkit further provides such guidance.”

IFC reported that it has recently completed a detailed assessment of implementation of grievance mechanisms in a sample of their investments, exploring the challenges faced and how they can be overcome, consulting widely with both affected people and clients. As a result, IFC is now developing guidance and tools to address the main findings of the review, trainings for IFC E&S specialists as well as clients, and internal tip sheets to guide IFC due diligence and supervision.

**Element 7: IFC manages concessional funds utilizing the DFI Enhanced Blended Concessional Finance Principles for Private Sector Operations.**

IFC has a policy framework for blended finance and has played a leading role in the Development Finance Institution (DFI) working group on blended concessional finance, which has also developed enhanced principles for applying blended finance to private sector operations. "The five core principles", initially developed in 2013 and refined in 2017 ... are “1) additionality / rationale for using blended finance, 2) crowding-in and minimum concessionality, 3) commercial sustainability, 4) reinforcing markets, and 5) promoting high standards“ (DFI Working Group on Blended Concessional Finance for Private Sector Projects, Summary Report, 2017). IFC applies the principles, and aims to use BF: (a) **effectively** to achieve the intended development impact; (b) **efficiently**, making sure that only the minimum concessionality is used to catalyse commercial capital; and (c) **transparently**, to enhance the market creation potential of each transaction (IFC, Blended Finance website).

One of the key sources of concessional finance is through the Private Sector Window (IDA-PSW). The PSW is an allocation of IDA-money (USD 2.5 billion under IDA-18 and IDA-19 respectively, of which USD 2 billion has been allocated to IFC in each Replenishment Period) to catalyse private sector investments in IDA countries, with a particular focus on fragile and conflict-affected situations, by mitigating risks for private investors – and IFC. IDA PSW allocations in IDA19 Replenishment cycle were reduced to USD 1.67 billion for IFC and MIGA ($1.34 billion for IFC only), as the IDA19 period was truncated from three to two years).

The PSW had strict eligibility criteria, ensuring strategic alignment: (i) The use of PSW resources is limited to IDA-only and fragile or conflict-affected IDA gap and blend countries, as confirmed at the beginning of IDA18; (ii) all PSW-supported activities need to be aligned with IDA’s poverty focus and special themes, WBG country strategies, and the WBG’s approach to supporting private sector investments and creating markets; and (iii) projects that use PSW funds (and blended finance projects, more broadly) should aim at maximizing additionality and market sustainability while minimizing concessionality and meet the Enhanced BF Principles. (IEG: The WBG’s Experience with the IDA-PSW: An Early Stage Assessment, 2021, in brief IEG IDA-PSW Assessment). The PSW also has a thorough governance process, on which “IEG concluded that the systems, processes, and criteria are robust and involve active debate over the required subsidy in the internal approval process through the involvement of the IFC BFC (and the Blended Finance Department) the IDA PSW Secretariat of the Development Finance Vice Presidency, and the IBRD country director in the case of IFC.”
### MI 5.5: Intervention designs include the analysis of cross-cutting issues (as defined in KPI 2).

<table>
<thead>
<tr>
<th>Score</th>
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<tbody>
<tr>
<td>Overall MI rating</td>
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<tr>
<td>Overall MI score</td>
</tr>
<tr>
<td>Element 1: Approval procedures require an assessment of the extent to which cross-cutting issues have been integrated in the design.</td>
</tr>
<tr>
<td>Element 2: Plans for intervention monitoring and evaluation include attention to cross-cutting issues.</td>
</tr>
</tbody>
</table>

#### MI 5.5 Analysis

**Element 1: Cross-cutting issues are integrated into operations design systematically.**

Efforts to integrate cross-cutting issues into program and project design are most advanced with regard to climate change. Gender flagging has increased over the assessment period. Market creation is strongly integrated into the AIMM framework, but implementation has been below targets. On fragile and conflict-affected situations, IFC developed a diagnostic tool to assess and mitigate risks.

At the level of individual operations, IFC has committed to align all Board-approved real sector operations with the Paris Agreement objectives, starting with 85 percent by July 1, 2023, and 100 percent starting July 1, 2025. 100 percent alignment at the concept stage is expected ahead of July 1, 2023. Projects are also supposed to be screened for climate risk and resilience risk by the end of FY23. The scorecard target of 35% of operations addressing climate issues (already achieved as of FY21) has also led to a strong focus on climate.

As part of the Climate Change Action Plan (2021-2025), country engagement is to be informed by a Climate Change and Development Report (CCDR), which is expected to feed into the Systematic Country Diagnostic (SCD), Country Private Sector Diagnostic (CPSD), and Country Partnership Framework (CPF). The first CCDR has been published in June 2022 (at the very end of the review period). It is thus too early to assess the effect of CCDRs.

IFC has committed to gender flagging all projects since 2016 for AS and since 2019 for IS, suggesting that implications for gender equality are considered during design. Over the course of the assessment period, gender-flagged AS projects increased from 32% in FY17 to 57% in FY22. Gender-flagged IS projects increased from 6% in FY19 to 33% in FY23, indicating a clear increase in the proportion of projects with a significant gender component reflected in the theory of change.

The Gender and Economic Inclusion Business Group produces a significant quantity of analytical work. Examples include:

- A series of studies on moving toward gender balance in Private Equity and Venture Capital; and
- A series of studies on Gender-Based Violence and Harassment across 12 countries and 75 businesses, noting potential costs of up to 14% of annual wage bills in lost productivity.

IEG’s 2021 mid-term review of the WBG Gender Strategy found that “IFC investment officers and project leads reported that ... they rarely read reports they had not developed”, but that they were applying the findings by “engaging with the Gender and Economic Inclusion Business Group and focal points”. However, IFC’s retrospective on the implementation of the WBG Gender strategy identified several pieces of analytical work that have contributed to concrete initiatives, including:

- Studies on increasing female leadership in public health care leading to the creation of the “Women’s Leadership in Private Health Care Global Group” as part of the Women’s Employment Programme;
- IFC’s Global Tackling Childcare Programme, which has been scaled up with analytical and advisory work completed in Fiji, Sri Lanka, Vietnam and Myanmar;
- Development of a Toolkit “How can Businesses Tackle Gender-Based Violence in the World of Work?: A Toolkit for Action”

Source document:

50, 59, 73, 89, 103, 144, 185, 219, 244, 250, 415
Guidance for Boards of Directors on oversight of Gender-Based Violence and Harassment risks;

Additionally, the Gender and Economic Inclusion Business Group is routinely consulted as part of IFC’s E&S risk processes. Stakeholders indicated that AIMM provided an incentive to introduce gender considerations, in that where a gender gap was being addressed, it would raise the AIMM score.

Market creation is strongly integrated into the AIMM score, in that it is a component of the “general” AIMM guidance, which affects all sectors. Having said that, the percentage of projects with “very strong” market creation potential has been below the scorecard-target (of 15% and increasing), standing at 9% in FY22 with an upward trajectory. IEG’s 2020 RAP notes that “market-level outcome types...have a larger share of downgraded AIMM claim ratings than project-level outcome types” and attributes these results to the fact that “the success of market-level outcomes depends on the broader market environment and external factors such as market changes and actions by external actors” as well as the fact that “measuring market-level outcomes is challenging because of the long-term time horizons for outcomes to materialize, the challenge of attributing market-level results to IFC-supported projects, fewer good indicators to measure projects’ contribution with certainty, and the minimal impact that an individual IFC project can have on the broader market.”

IFC has mainstreamed fragility considerations into investments through a range of tools. Fragility considerations are integrated into CPSDs, including through development of a guidance note, and IFC’s approach to upstream project development and market creation in FCS and IDA countries. Furthermore, the AIMM Framework was modified in FY20 to include FCS considerations and weighting for projects in FCS. The FCS Risk envelope provides an allocation for high-impact projects in beyond IFC’s typical risk tolerance. The IDA Private Sector Window has also been instrumental in helping rebalance the risk-return profile for first of their kind investments in FCS. Finally, IFC’s CASA initiative has supported IFC’s engagement in FCS in Africa since 2008, including development of a “fragility lens” for projects.

The proportion of IFC’s advisory and upstream engagements in FCS is monitored as part of Quarterly Operations Reports. Furthermore, IFC’s upstream work is being used to further understand the impact of military conflict and political turmoil on IFC’s operations, including droppage rates.

Element 2: Cross-cutting issues receive suitable attention from subject matter specialists during supervision/monitoring when they are part of a specific E&S action plan. However, otherwise monitoring of cross-cutting issues could be strengthened.

Portfolio officers are responsible for supervision, which focuses in particular on credit and financial risks. Environmental and Social (E&S) specialists are responsible for supervision of E&S risks, conducted through site visits by IFC staff and through submission of Annual Monitoring Reports by the client on progress in meeting the E&S terms of the investment agreement. Specialists should be familiar with Climate Change and/or Gender as topics are covered as part of the policy. As part of E&S monitoring, IFC and the client may identify opportunities to enhance the project, including climate change and gender.

IFC’s AIMM system plays an important role in promoting the identification of relevant cross-cutting indicators in results frameworks and monitoring over the investment lifecycle. During monitoring of the project, the intensity indicators of relevant AIMM claims are tracked as agreed during ex-ante assessment and the values are either collected from client or internally calculated based on inputs from clients. These claims typically need to be justified through baseline data and reference to the broader country context. This approach is aligned with the way the AIMM framework monitors other impact claims. Implementation Plans provided by IFC confirm that gender outcome indicators are included in results frameworks.

Adhering to the AIMM framework, gender-related outcomes are assessed in IFC projects. This includes claims across stakeholder groups, including those related to increased access or improved quality of product/service to women, or jobs for women supported, or reduced gender-based violence at workplace. These indicators are integrated within the sectoral frameworks, noting that AIMM claims are only made if there is clear intentionality along with evidence showing that IFC intervention is contributing to an improvement compared to an identified counterfactual.
During monitoring of the project, the intensity indicators of relevant AIMM claims are tracked as agreed during ex-ante assessment and the values are either collected from client or internally calculated based on inputs from clients. In terms of gender, the intensity indicators in most cases happen to be a gender-disaggregated version of a base indicator. A similar approach is identified for climate, targeting the identification of sector-appropriate efficiency indicators in key emitting sectors. Supervision Reports provided by IFC confirm that gender and climate claims and indicators are monitored throughout implementation.

IFC also has gender-disaggregated corporate reporting indicators for investments, that are reported on in a consistent manner for some indicators, including female students reached (data since 2015), female direct employment for funds or for IFC investments (data from 2015), access to finance (micro-finance, SME) for women (data since 2015), number of women on boards (data since 2021), and number of women in senior management (data since 2021). These data are reported annually as part of IFC’s annual reports. In its advisory, IFC tracks the number of female employees reached, number of SME women reporting improved knowledge and skills, number of female farmers reached (direct and indirect), number of women users, borrowers, number of women trained, SME loans disbursed to women.

For climate, IFC monitors and discloses ex-ante estimates of annual gross GHG emissions for real-sector projects with emissions over 25,000 metric tons and requires clients with such projects to report their emissions annually during supervision. During the monitoring phase of the project, the intensity indicators of relevant AIMM claims are expected to be tracked as agreed during ex-ante assessment and the values are either collected from the client or internally calculated based on inputs from clients. This approach is aligned with the way the AIMM framework monitors other impact claims.

AIMM Guidance documents for Green, Blue, Social and other Sustainability Bonds as well as Climate Mitigation and Adaptation identify a range of gap and intensity indicators across different sectors at the country level that are followed up during supervision, including: (i) sector share of GHG emissions (mitigation); (ii) energy consumption per square foot energy efficiency; and (iii) University of Notre Dame GAIN Index for Climate Vulnerability and Adaptation. In the case of mitigation, project monitoring tends to be based on efficiency measures such as evidence of reduction in energy used or evidence that the level of targeted GHG savings were achieved.

**MI 5.5 Evidence confidence**

**MI 5.6: Investment appraisal and monitoring identifies relevant country-level considerations, including promoting principles of sound banking and creating an enabling environment for investment.**

<table>
<thead>
<tr>
<th>Element</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Element 1:</strong> Investments include a detailed analysis of implications for exposure risks associated with the institution’s portfolio in different countries and regions.</td>
<td>4</td>
</tr>
<tr>
<td><strong>Element 2:</strong> The MO’s investment appraisal processes identify key elements of the enabling policy, the regulatory situation, such as the legal environment to promote ongoing viability of the investment.</td>
<td>3</td>
</tr>
<tr>
<td><strong>Element 3:</strong> Where shifts in policy and legislation are needed to promote the sustainability of future investments, opportunities are identified to address these needs through upstream activities, policy dialogue, technical assistance and/or advisory services.</td>
<td>3</td>
</tr>
<tr>
<td><strong>Element 4:</strong> Changes in the policy and regulatory environment are monitored throughout the lifecycle of the investment and implications for continued viability are identified.</td>
<td>3</td>
</tr>
</tbody>
</table>

**MI 5.6 Analysis**

**Element 1:** IFC has a systematic approach to managing risks including exposures such as single borrower limits and country and sector exposures.

| Source document | 29, 58, 72, 110, 131, 132, 146, 148, 171, 172, 173, 174, 175, 180, 201, 325, 326, |
IFC has an enterprise risk management framework that identifies and manages exposure risks associated with its portfolio. It assesses new investments taking into account resulting exposures such as single borrower limits and country and sector exposures. The IFC framework identifies three lines of defence to identify and manage risks, including limits related to single project or client exposure, single country exposure, and sector concentration. These include: “IFC’s total exposure to a country, for the purpose of setting exposure limits, is measured as the amount of economic capital required to support its investment portfolio in that country. Exposure limits are set for each country based on the size of its economy. Sub-limits apply for certain sector exposures within a country. IFC’s total exposure to a single client or client group may not exceed stipulated economic capital and nominal limits based on the Credit Rating for the client. Individual Investment Limits are applied at the individual project or client level to prevent excessive concentrations. Preferential debt exposure to a country is limited by reference to that country’s total medium and long-term external debt. IFC’s total equity and quasi-equity exposure (outstanding exposure net of specific reserve) shall not exceed IFC’s net worth.” (FY22 Information Sheet)

Element 2: IFC assesses the enabling environment (e.g., legal and regulatory risk) as part of its due diligence processes.

IFC teams perform due diligence on each project and on the entity in which the investment is contemplated. The investment team appraisal process includes an analysis of the legal and regulatory environment, and policies governing the entity as well as a due diligence questionnaire sent to the entity in advance... The answers to these questionnaires are then discussed during appraisal if needed. Depending on the type of investment, specialists are also part of the appraisal and deliver reports which in some cases would include an analysis on the legal and regulatory environment, including banking specialists.

For individual projects, implementation plans provide a problem statement, which discusses challenges related to the enabling environment (including policy, legal and regulatory risks) and any relevant information about how the intervention will address these challenges. Policy, legal and regulatory risks are also addressed in a section that addresses possible risks to achievement of identified outcomes, including risks that are external to IFC. Where relevant, mitigation plans are provided.

Element 3: IFC and the WBG have undertaken major efforts to identify the necessary policy and regulatory changes limiting future investments.

AIMM and CPSD specifically focus on market gaps hindering the private sector and the introduction of IFC’s “upstream” approach is specifically focused on removing constraints to private investment. The WBG has instituted the Cascade principle, which is also supposed to promote legal and regulatory reform, but the systematic implementation needs strengthening.

IEG’s 2022 Results and Performance (RAP) notes that the WBG has facilitated policy dialogue and that there is evidence of uptake of advisory work on the part of client countries on a variety of topics, including agriculture and budget. Evidence from the 2022 RAP suggests that ASA often provided a strong basis for policy dialogue. IFC is committed to ‘working upstream’, which can entail identifying public-sector reforms and improving the investment environment, as part of its IFC 3.0 strategy. IFC has made major investments in its Upstream efforts and Country Strategies identify the conditions needed for investments in monitors them carefully in its country strategies in the form of “if-then” conditions (see 2.4).

Country Partnership Frameworks (CPFs) and Country Private Sector Diagnostics (CPSDs) identify regulatory and policy gaps that inhibit the private sector and the AIMM framework focuses on market gaps. The CPF specifically identifies opportunities for the WBG, including IFC, to address such needed policy reforms. IFC Country Strategies further allow for the identification of priority reforms that will unlock private sector development. These are identified for each strategic priority identified in the strategy and the team is intended to identify the probability of the reform given the context and whether the WB is already supporting the reform. A sample of IFC Country Strategies each demonstrated analysis of the impact of potential policy and legislative reforms on potential investments. This approach is also reflected in IFC’s internal guidelines for Country Strategies.
These activities have contributed to a large pipeline of potential projects. However, IFC has initial results from the Upstream pipeline conversion in FY22-FY23, which showed some early successes. In FY22, upstream pipeline conversion to IFC investments totalled USD 3.2 billion. In FY23, upstream efforts led to the conversion of USD 4.4 billion in long term finance for IFC. IFC reports on its upstream pipeline, including investments currently being processed and new commitments enabled by upstream work in its Quarterly Operations Reports to the Executive Board.

The WBG’s “Cascade” approach seeks to maximize development resources by mobilizing private financing – both domestic and foreign – as a complement to scarce public resources. Wherever feasible implementing private sector solutions also requires support for policy and regulatory reforms as necessary. The Group Internal Audit (GIA) 2021 Assurance Review of the Cascade approach found that while first steps had been taken, the efforts needed strengthening, in particular in terms of improving incentives, establishing clear processes and introducing systematic monitoring and review. Interviews have also reaffirmed these findings i.e., utilization of the “Cascade” approach has largely been personality driven, opportunistic, and ad hoc. The 2021 IEG evaluation of Private Capital Mobilisation found that the WBG country strategy cycles were not fully aligned with the goals, in that necessary legal and regulatory reforms often take longer and also that incentives were insufficient.

This was also echoed by an article written by IFC’s former CEO and its former Vice-President Economics and Private Sector Development: “unfortunately, the integration of IFC country strategies into WBG country partnership frameworks remains very “light” and “For IFC strategies to be effective, and therefore to guide a pro-active stance by IFC, the WBG country strategies would also need to become much sharper and closer in content to business plans. They would need to explain more precisely what reforms would unlock private investment; how those would be addressed through WB policy dialogue, including through the use of World Bank Development Policy Operations (i.e., budget support); how private solutions would be prioritized in line with the Cascade principles” (Le Houerou/Lankes (2023): Mustering the private sector for development and climate in the Global South – Is it realistic).

In the context of individual investments, policy, regulatory and legal risks are addressed in Implementation Plans alongside opportunities for mitigation. IFC supervision reporting demonstrates that these risks are monitored and mitigation actions are followed up throughout implementation. Supervision is implemented every six months. New risks and mitigation actions are identified as appropriate as the context changes.

MOPAN survey results indicate that stakeholders generally agree that IFC increases the impact of its interventions though the provision of advisory services, capacity development, and project preparation support to clients, with 14% strongly agreeing, 48% agreeing, and 23% somewhat agreeing.

Element 4: IFC monitors key changes to the regulatory and policy environment through 6-month reviews of its IFC Country Strategies.

As elaborated above, the implementation of the Cascade approach needs strengthening, and both IEG and GIA identified the need to improve monitoring.
WBG guidance notes that CPFs undergo continuous monitoring, with an opportunity at the Performance Learning Review (PLR) to identify and course correct due to any major changes in country context, including to the policy and regulatory environment. However, further information is required as to how this monitoring occurs, both at the changes in the necessary reforms in the enabling environment and at the level of individual operations.

IFC closely monitors the “if-then” conditions in its country strategies (i.e., which enabling environment reforms are necessary to increase investments) by reviewing progress twice a year. A review of IFC Country Strategy guidance and IFC Country strategies demonstrated that the identification of priority policy reforms and strategic objectives is informed by the country-level gaps identified in CPSDs and an analysis of IFC’s potential value addition.

IFC more generally closely monitors its portfolio. “IFC achieves this through a combination of strong presence on the ground and deep sector expertise, that enables IFC to stay close to its clients and markets, monitor trends and anticipate impacts of external factors”. “The Operations Committee regularly reviews the investment portfolio, assessing broad trends as well as the performance of select projects. This review is complemented by monthly in-depth discussions about IFC’s key sector and country exposures, along with those of strategic importance to the Corporation. Additionally, quarterly reviews of IFC’s Portfolio results are presented to the Board, along with an in-depth analysis at the end of each fiscal year” (IFC Annual Report FY22, MD&A). Since 2022, the Operations Committee is now called the the Tier Three Project Committee (T3PC).

As noted above, in the context of individual investments, policy, regulatory and legal risks are addressed in Implementation Plans alongside opportunities for mitigation. IFC supervision reporting demonstrates that these risks are monitored and mitigation actions are followed up throughout implementation. Supervision is implemented every six months. New risks and mitigation actions are identified as appropriate as the context changes.

### MI 5.6 Evidence confidence

**Medium Confidence**

### MI 5.7: Institutional procedures (including systems for hiring staff, procuring project inputs, disbursing payment, logistical arrangements etc.) positively support speed of implementation and adaptability in line with local contexts and needs.

<table>
<thead>
<tr>
<th>Element 1: The MO has clear internal procedures for approving investments and other operations and managing commitments and disbursements (as per conditions of disbursement), which are communicated to clients.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Highly Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>3.67</td>
</tr>
<tr>
<td>Element 1: The MO has clear internal procedures for approving investments and other operations and managing commitments and disbursements (as per conditions of disbursement), which are communicated to clients.</td>
<td>3</td>
</tr>
<tr>
<td>Element 2: The MO implements client feedback mechanisms to assess and improve its client service performance where possible.</td>
<td>4</td>
</tr>
<tr>
<td>Element 3: The MO tracks client service performance, including against any agreed benchmarks.</td>
<td>4</td>
</tr>
</tbody>
</table>

### MI 5.7 Analysis

**Element 1: IFC has clear and differentiated procedures for seeking approval of operations and for supervision.**

Projects are approved by the IFC Board of Directors through regular or streamlined procedures (and, small, low-risk investments, through delegated authority procedures by IFC Management). For regular procedure projects, the Board meets to discuss the project, while lower risk projects are streamlined (i.e., circulated on a No-Objection basis).

“The Board demands that each investment have economic, financial, and development value and reflects IFC’s commitment to sustainability.” ([IFC Project Cycle](https://www.ifc.org/en/ProjectCycle/)) Credit risks are reportedly well managed (see above regarding the 2021 internal audit of credit risk in IFC’s debt portfolio), the E&S Policy and Risk
Department reportedly “ensures systems, procedures, and capacity are in place” (IFC Annual Report FY22, MD&A) to manage E&S risks at approval and during supervision and AIMM analyses the expected (and subsequently achieved) development results. In addition to identifying and assessing project E&S risks and impacts, E&S specialists, also help clients to define adequate E&S management plans (E&S Action Plans).

Additionally, IFC and its client may identify opportunities for project enhancement through IFC Advisory Services. We have to date not analysed the procedures themselves. IFC also helps clients improve their E&S (and governance) standards through advisory services. However, IEG’s 2023 evaluation of IFC’s Additionality in Middle-Income Countries found that standard-setting additionality (which in 83% related to E&S standards) was anticipated in 68% of projects but realised only in 48%.

IFC monitors investments for compliance with loan agreements, receiving and reviewing quarterly reports from clients. Central Portfolio Management monitors timeliness and compliance with portfolio reporting (e.g., production of credit ratings, expanded project supervision reports, AIMM scores for the portfolio). Standards for portfolio management are centrally defined. Regional portfolio managers (organized by industry) are responsible for portfolio supervision, but there are no reporting lines to central portfolio management. Droppages, cancellations and prepayments are also closely monitored and reported as part of Quarterly Portfolio Risk Reports, including an analysis of neutral vs non-neutral reasons for cancellations and prepayments.

Element 2: IFC has client surveys which are generally conducted on an annual basis with a high response rate.

IFC seeks client feedback through annual client feedback surveys and the highest-level indicator, overall client satisfaction, is in IFC’s corporate scorecard. The client survey serves as a key mechanism to get client’s feedback, and IFC dedicates resources to enhance how the survey is conducted over time to allow for better response rates and a better reflection of the services provided.

<table>
<thead>
<tr>
<th>IFC client feedback - % Satisfactory</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>83%</td>
<td>82%</td>
<td>83%</td>
<td>86%</td>
<td>88%</td>
<td>85%</td>
<td>79%</td>
</tr>
<tr>
<td>Advisory Services</td>
<td>91%</td>
<td>91%</td>
<td>90%</td>
<td>88%</td>
<td>91%</td>
<td>91%</td>
<td>91%</td>
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</tbody>
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Prior to FY22, the client feedback surveys for investments and advisory services were separately conducted with differing methodologies, requiring caution in comparing results from the two surveys. The FY20 client survey was conducted at the height of the pandemic, yielding weaker client satisfaction results for investments in heavily impacted regions, partly due to a lack of perceived timeliness of IFC’s response. IFC then started a process to revamp the survey in FY20 to align the client survey with IFC 3.0 and yield more actionable feedback from clients. IFC management opted out of conducting the FY21 survey for investment clients due to restructuring, however the Advisory Services client survey was conducted.

The restructured survey was launched in FY22, which now combines upstream, advisory services and investments. Client satisfaction from this combined survey was 91%. It is unclear whether the results in FY22 are comparable with earlier results.

The new client survey includes separate questions for IS, AS, and UP clients and a section for general feedback at the IFC level. This allows clients who receive more than one service to provide comprehensive feedback on their overall experience with IFC. The client survey frequency and selection criteria were increased (from annually to quarterly) to capture more client touch points during the project’s life cycle and thus receive more timely feedback from clients.

Client feedback over the review period indicated that many investment clients received advice on E&S issues (79%-88%) and most were satisfied (90%-100%); many (52%-59%) received advice on corporate governance (52%-59%), and most were satisfied (89%-100%).
Advisory service clients were generally satisfied with IFC’s services over the review period (see also table above), with 86%-88% being satisfied with IFC’s understanding of local conditions, 89%-95% satisfied with E&S advice, and 90%-96% with advice on gender issues.

In FY22, most clients were also satisfied with IFC’s support in addressing sectoral issues (91%), providing concessional finance (87%) and with the government relationships of its upstream services (85%). Other client satisfaction indicators for FY22 include IFC’s support to enhance gender equality (81%), climate change and mitigation (78%), as well as in the areas of timeliness of IFC’s services (81%) and IFC’s support during crisis times (75%).

**Element 3: The IFC Corporate Scorecard separately reports on client satisfaction with investment and advisory services, including a corporate target. Client satisfaction has exceeded targets throughout the assessment period.**

IFC tracks and benchmarks its client service performance, adopting a comprehensive approach relative to comparator organisations.

Client feedback (for investments – IS and advisory services – AS) is part of the Corporate Scorecard. An ongoing target of 85% satisfaction has been used to benchmark results. Stakeholders note that the survey covers 94% of IFC’s clients and has benefited from a consistently strong response rate of 70%.

IFC’s Client Satisfaction ratings for investment and advisory clients has consistently been above the 85% benchmark throughout the assessment period. An exception remains the FY20 client satisfaction scores for IS, which declined to (79%), which stakeholders note was linked to difficulties faced by clients during the pandemic.

Over the course of the pandemic, IFC revised its country survey seeking to streamline the survey and to allow for more frequent and real-time implementation. No client survey for investment clients was carried out in FY21 while this process was ongoing. As noted above, IFC now combines client satisfaction result with upstream and advisory services and the combined results are 91% client satisfaction. However, differences in approach make it challenging to compare results over time. Data from the client survey is available to all staff through the IFC Dashboard, broken down by region, industry, VPU/department and service type, among other factors, to help inform decision-making.

**KPI 6: Working in coherent partnerships directed at leveraging and catalysing the use of resources**

<table>
<thead>
<tr>
<th>Satisfactory</th>
<th>3.19</th>
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IFC engages a wide range of stakeholders and partners through its decentralised, country-driven business model to help strengthen the investment environment in its countries of operation. A range of analytical tools and consultations inform IFC’s activities and Country Strategies are adjusted every 6 months as the investment climate changes. Blended finance, including the IDA-PSW, has played a key role in working with the private sector to crowd-in private finance in challenging contexts and guide engagement as conditions change. A range of other smaller blended finance windows across different strategic themes and donor-supported initiatives support investment in challenging contexts.

IFC is recognised as a leader in promoting good practices and identifying innovative models for mobilisation. Despite relatively flat performance in mobilisation between FY19 and FY22 due to a challenging investment context, some areas have seen strong growth, including through innovative approaches. Relative to its peers, IFC is a clear leader in mobilisation in LICs and MICs, accounting for over 27% of direct and indirect mobilisation among 8 MDBs and 15 DFIs. IFC is also meant to work with the World Bank to promote private sector-led growth and mobilisation through the Cascade approach; however, implementation has not been systematic. Through its participation and leadership of joint-DFI platforms, IFC has made an important contribution to standard-setting among DFIs and private investors, including for blended finance and private capital mobilisation.
MI 6.1: The MO works with national partners/stakeholders to identify policy and development activities that create an enabling environment for investment.

<table>
<thead>
<tr>
<th>Score</th>
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<tr>
<td>Satisfactory</td>
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<table>
<thead>
<tr>
<th>Overall MI rating</th>
<th>Overall MI score</th>
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<td></td>
<td>3.00</td>
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**Element 1:** The MO has processes in place to engage with relevant stakeholders, including host governments, in identifying policy changes, reforms and development activities to strengthen the investment climate.

**Element 2:** The MO’s ongoing consultation and institutional mechanisms permit changes in strategic priorities when the local context changes.

**MI 6.1 Analysis**

**Element 1:** IFC engages with relevant stakeholders primarily through hub, regional, and country offices which are organized under four regional vice presidencies (Europe & Latin America; Africa; Middle East, Central Asia, Turkey, Afghanistan & Pakistan; Asia & Pacific). With Country Private Sector Diagnostics (CPSDs), a more formal engagement with the private sector started, which is expected to feed into Country Partnership Frameworks (CPFs) and IFC’s country strategies (IFC-CSs). A review of a sample of four IFC-CSs (Bangladesh, Kenya, Senegal and Serbia) confirmed that their priority objectives were congruent with those identified in the CPFs and also reflected IFC’s corporate priorities.

In preparation of Country Partnership Frameworks (CPFs), IFC and World Bank staff "engages through consultations with the private sector, civil society and other stakeholders" (WBG Directive Country Engagement, 2014). Starting in 2017, the WBG started to prepare Country Private Sector Diagnostics (CPSDs) which provide “an assessment of the state of the private sector, identification of near-term opportunities for private sector engagement, and recommendations of reforms and policy actions to mobilize private investment and drive solutions to key development challenges. By combining both economy-wide and sector-specific analysis of constraints, the CPSD helps to create a common analytical basis to shape policy dialogue and guide transformational private investment.”

Analysis and recommendations of the CPSD are expected to inform the World Bank Group’s country engagement process” (IFC, CPSD webpage). CPSDs are meant to inform IFC CSs and WBG CPFs. However, given that the first CPSDs were only completed in fiscal year (FY) 2018 and that in the first two fiscal years only 6 were completed (however there has been a significant increase in the number of CPSDs completed in the last two FYS), it is too early to assess to what extent CPSDs have indeed improved the engagement process on determining private sector constraints in CPFs and IFC Strategies, but they are a step in the right direction. The four IFC Country Strategies reviewed for this assessment drew clear linkages to both the gaps identified in CSPDs, the WBG programme and IFC’s value addition in identifying strategic priorities.

Interviews revealed that IFC puts relatively more emphasis on its own country strategies (IFC-CSs), since these provide greater level of programming details than the more limited description of IFC programs in CPFs. This could be due in part to confidentiality considerations (particularly for ongoing transactions). Most CPFs contain a key priority or pillar focused on economic growth, productivity and/or private sector development providing the necessary entry point for designing and implementing suitable IFC programs. These pillars do not focus only on IFC but appropriately present, in a holistic manner, the WBG support across both public and private sectors. However, CPFs rarely identify specifics of IFC’s future interventions or provide financial estimates of the scale of future IFC investments. This information gap arises from two considerations: information about transactions may not be available for the outer years of CSs since the transaction cycle for private sector operations is typically shorter; and there may confidentiality considerations in disclosing details about transactions under preparation.

While IFC-CSs are not public and hence not subject to consultation, it is unclear how IFC consults stakeholders in establishing priorities. According to the guidance, the CS’s strategic priorities should address the priority development gaps identified in SCDs (where IFC has a comparative advantage) and should consider how IFC will complement WB in these areas. Additionally, the IFC-CS template requires that IFC’s strategic priorities and objectives are linked to the WB program. A review of a sample of four IFC-CSs (Bangladesh, Kenya, Senegal and Serbia) confirmed that their priority objectives were congruent with those identified in the CPFs and also reflected IFC’s corporate priorities. However, a more systematic IFC-wide assessment is not available.

The WBG also annually engaged with countries on investment climate issues through the Doing Business analysis, annual reports and rankings for over 17 years (including for most of the assessment period). Since
this engagement was undertaken annually, it was readily available to inform the private sector development agenda in CPFs; consequently, Doing Business indicators were utilized in several CPFs. The stated goal of the Doing Business program was to stimulate policy reform (Doing Business: External Panel Review – Final Report, September 1, 2021). The Doing Business Reports covered ten investment climate areas: starting a business; dealing with construction permits; getting electricity; registering property; getting credit; protecting minority investors; paying taxes; trading across borders; enforcing contracts; and resolving insolvency. The primary approach to gathering information was through contributors – local, regional and global – which had knowledge of the status in the various policy areas. The Doing Business Reports were discontinued in 2021 due to data irregularities in the 2018 and 2020 Doing Business reports. The process of replacing the Doing Business indicators with the Business Enabling Environment indicators is underway – but these are to be published in 2023 (i.e., beyond the assessment period).

IFC also engages with local stakeholders through activities it undertakes and manages through the Facility for Investment Climate Advisory Services (FIAS), which “supports World Bank Group projects that foster open, productive, and competitive markets, and unlock sustainable private investment in business sectors that contribute to growth and poverty reduction (IFC, Upstream Advisory for Creating Investment Opportunities, Sustainable Growth, and Jobs: The FIAS FY22–26 Strategy Cycle, 2021). FIAS aims to “ensure that business environments—as reflected by laws, regulations, and other elements—enable private sector growth and avoid imposing unnecessary regulatory burdens.” During FY17-FY21, FIAS’s investment climate work progressed from country level to sector level investment climate work. Several interviews with IFC country managers (CMs) indicated that engagement with the host government is mostly led by the World Bank (WB) and that IFC’s level of engagement depends on the topic. IFC’s collaboration with the World Bank on cross-cutting issues is covered under KPI 2. However, IFC also routinely engages with other development partners at the country level and beyond. Depending on the country, those can be multi- or bilateral institutions focused on the private sector, regional development banks, donors (or special initiatives focusing donor coordination).

MOPAN survey results indicate that stakeholders generally agree (90% positive response rate) that “IFC works with host country governments to support the creation of an enabling environment for investment and implement effective public private partnerships. Survey respondents were somewhat less positive (only 83%) with regards to the statement “IFC works across the World Bank Group and with other partners to create a policy and regulatory environment that promotes sustainable investment”.

Q5 [01] IFC works with host country governments to support the creation of an enabling environment for investment [in COUNTRY] and implement effective public private partnerships.
Element 2: IFC implements institutional processes at the country level to make adjustments when the local context changes.

IFC can make adjustments to CPF during the Performance and Learning Review (PLR), which takes place every 2 years at the mid-point for CPFs. The PLR allows IFC, and the WBG, "to (i) take stock of and report on the evolution of HLOs [higher level objectives] that the CPF seeks to contribute to; (ii) adjust the CPF objectives and program as needed if new analytics or changes in country circumstances, or in the development landscape, have shed a new light on how best the program can be positioned to contribute to HLOs; and (iii) reflect on progress in filling knowledge gaps and consider whether new knowledge gaps have emerged" (WBG Guidance Country Engagement, 2021). If necessary, adjustments can be made to the results framework; in addition, "in countries where significant changes have taken place since the original CPF, the PLR is expected to realign the CPF program with the country’s new realities. The PLR also provides an opportunity for updating the choice and mix of instruments, and the modalities or criteria for engagement, as necessary" (WBG Guidance Country Engagement, 2021). Interviews with IFC country managers indicated that IFC fully participates in the CPFs, but that relatively speaking there is much more focus on the IFC country strategies (IFC-CS).

Stakeholders noted that IFC routinely coordinates at the country level with other development partners on issues relevant for the private sector and on areas relevant for the private sector. Typically, that coordination works well, but there was also a case where a regional development bank appeared more as a competitor than a partner in development. According to CS guidance, IFC typically also does 6-monthly reviews of the IFC-CS, which also allows for a refocusing of the strategy, and an 18-month progress review. A review of a sample of four IFC-CSs (Bangladesh, Kenya, Senegal and Serbia) showed congruence with the priority objectives in CPFs as well as IFC’s corporate priorities.

As mentioned in the previous element, IFC-CS guidance does not require explicit congruence with WBG CPFs. However, CS’s strategic priorities should address the priority development gaps identified in SCDs and CPSSDs (where IFC has a comparative advantage) and should consider how IFC will complement WB in these areas. Additionally, the IFC-CS template requires that IFC’s strategic priorities and objectives are linked to the WB program.
### MI 6.2: The MO’s coordination and partnerships with other development actors are based on comparative advantage to promote synergies and maximise finance for development.

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The MO’s country, regional and/or sector strategies identify its comparative advantage and potential synergies with other development partners.</td>
<td>3.00</td>
</tr>
<tr>
<td>2</td>
<td>The MO undertakes joint planning and consultation with development partners as needed to prioritise private sector solutions and optimise use of resources, guided by specific circumstances (e.g., sector, crises responses).</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Resources/competencies needed for investments and other operations are aligned to the perceived comparative or collaborative advantage.</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>The MO’s partnerships pursued with development partners promote blended concessional finance (in accordance with the DFI Enhanced Blended Concessional Finance Principles for Private Sector Operations) and foster solutions that help de-risk investments and promote cross-cutting themes.</td>
<td>3</td>
</tr>
</tbody>
</table>

### MI 6.2 Analysis

**Element 1:** When identifying its strategic priorities as part of IFC Country Strategies, IFC considers its potential value addition to addressing development and private sector gaps alongside other development partners and the World Bank.

CPF s contain an "analysis on the roles, comparative advantages, and activities of development partners" and it "is one of the elements used in determining selectivity in the WBG’s program" (WBG Guidance Country Engagement, 2021). IFC’s input "for borrowers with current or potential market access", includes "a discussion of the role of private capital flows in providing overall country and sectoral finance, and the implications for the magnitude and composition of WBG support" (WBG Guidance Country Engagement, 2021). However, relatively speaking IFC puts much more emphasis on the IFC-country strategy, which, however. The IFC-CS guidance and template do require that the CS’s strategic priorities address the priority development gaps identified in SCDs and CPSD and where IFC has a comparative advantage. Additionally, Country Strategies are required to consider the engagement of other development partners in identifying their operational priorities.

IFC’s SBOs identify strategic priorities based on many factors such as comparative advantage (alongside external context, development needs and client needs): IFC’s "strong capital base, well-managed portfolio, programs and budgets anchored by IFC Country Strategies, and full operationalization of the Upstream approach, IFC is well-placed to leverage its tools, products, expertise, and partnerships to help private sector clients” (IFC 2022, SBO FY23-25). And, IFC has identified five priority areas based on its comparative advantages: “ongoing efforts to provide relief and recovery financing in critical areas, a sharpened focus on increasing fragility, accelerating efforts to address the energy security and climate transition, supporting the transformation of sectors and countries through digitalization, and building healthcare resilience (ibid).

79% of MOPAN survey respondents responded positively to the statement that IFC’s work with partners is based on a clear understanding of why it is best placed to target specific sectoral and/or thematic areas with respect to promoting private investment.
Element 2: IFC prepares CPFs jointly with the World Bank and MIGA. However, CPF guidance does not recommend preparing joint CPFs with other development partners (WBG Guidance Country Engagement, 2021).

CPF guidance does encourage consultation with "the government, the private sector, civil society, development partners, and other stakeholders in the country" (WBG Guidance Country Engagement, 2021).

Although IFC does not prepare country strategies jointly with partners external to the WBG, IFC does collaborate with development partners in other contexts (e.g., co-financing of projects, donor engagement, embassy engagement and AS collaboration). Interviews with IFC country managers confirm that IFC routinely engages with other development partners. Depending on the country, those can be multi- or bilateral institutions focused on the private sector, regional development banks, donors (or special initiatives focusing donor coordination).

According to interviews, coordination works best when there is a project that is too big for any one institution to finance alone (due to, for example, fiduciary limits on the proportion of participation in a project or risk diversification given the size of a project). Coordination is undertaken, mostly with bilateral development partners/DFIs, multilateral organizations or foundations and in some cases in the form of multi-stakeholder platforms or roundtables (e.g., Ethiopia). Sometimes the collaboration is also with embassies (particularly the trade section, e.g., India, Serbia). Otherwise, there can even be some competition with other development partners (e.g., with IDB Invest in Brazil), but there are also examples of strong collaboration (e.g., with BNDES, the local development bank, in Brazil). Sometimes the collaboration is also sector focused (e.g., with EBRD on waste management in Serbia).

Element 3: IFC provides information on its comparative advantages both in its SBOs and in its budgets.

During the review period, in both sets of documents, IFC’s comparative advantage was apparent through its selection of strategic priorities and approaches: creating markets, mobilizing the resources of the private sector, leading in Agribusiness, growing private investment in healthcare, leading the recovery of private capital flows to emerging market and developing economies (EMDEs), and post-pandemic recovery. Upstream work activities are identified through Country Strategy priorities (IFC 2020, SBO FY21-FY23). As noted above, other factors driving this selection include the external context, development needs and client needs. However, the rationale and analysis underlying the selection of strategic priorities is not always presented publicly.

Both SBOs and budget documents also indicate the required resources and strategic shifts to utilize these comparative advantages. Interviews noted that the big change during the review period was to give CMs (and regional directors) control initially over the upstream (US), and later also over the advisory services (AS) budget in the context of the country-driven budgeting. With that, there appear to be sufficient resources - at least when there is a reasonable prospect of an investment project in the end.
Element 4: IFC has deployed, from FY 2010-22, USD 3.1 billion of concessional donor funds to support 369 high-impact projects in over 50 countries, leveraging USD 17.2 billion in additional financing" (IFC, Blending Concessional Finance webpage). IFC has blended finance facilities focusing on Agribusiness, Climate, Gender & SME, Human Capital, Low Income and Fragile Economies, Multi-Thematic, and Refugees.

IFC has helped develop and follows the DFI Enhanced Blended Concessional Finance Principles for Private Sector Operations and as Chair of the DFI Working Group on Blended and Concessional Finance has promoted its use. IFC is also pioneering in disclosing the level of subsidy at the project level (although, review of a sample of 12 projects identified that some gaps remain). Particularly for BF, IFC provides a very clear rationale for its use, in line with the BF-Principles.

While there is some public information about the use of concessional finance at the individual facility level, it is difficult to get an overview of the totality of IFC’s use of blended finance over the review period (by window and use) from public information. IFC has shared cumulative blended finance commitments by facility type for FY18-FY22, the major trends are:

- IFC has significantly increased commitments through the IDA private sector window (PSW) since FY18 and it represents by far the largest share of blended finance (FY22: about USD 2 of USD 3.2 billion).
- Climate blended financing through bilateral and multilateral facilities (e.g., Climate Investment Funds – CIFs and Global Environment Facility – GEF) has slightly increased during the same period and represents the second large share of blended finance (about USD 0.6-USD 0.8 billion).
- Blended financing focusing on Gender and SMEs has not grown significantly during this period and represent the smallest shares of blended finance.

IFC’s ability to provide blended finance has increased significantly through its participation in the IDA Private Sector Window (IDA-PSW). IFC manages the Blended-Finance Facility, which mitigates "various financial risks by providing loans, equity, and guarantees to pioneering IFC investments across sectors with high development impact" (IDA PSW webpage). IFC has led the development and applies the DFI Working Group’s definition of blended finance and promotes "the adoption of the blended finance principles to ensure a strict and disciplined approach to blended concessional finance". Interviews indicated that, by 2019, IFC brought together all concessional finance into one group – IFC’s Blended Finance Practice – centralizing processes.

The PSW has been in use since FY18, but utilization started slower than expected (IFC alone – excluding MIGA: USD 107M in FY18 and USD 193M in FY19). Commitments increased quickly (USD 671M in FY20), dropped off during the pandemic (USD 324M in FY21) but then increased again (USD 605M in FY22). In total, IFC committed over USD 1.9B from FY18-FY22, for 73 projects with projects costs of over USD 10 billion. Interview evidence indicates that the slow start was due to building a pipeline from zero and investing in educating staff. IEG confirms that the limited usage and patterns of deployment of the PSW under IDA18 is likely due to several factors. These include the set of strict eligibility criteria for the use of the PSW, the ability of IFC and MIGA to leverage existing programs and client relationships, the limited availability of a pipeline of projects suitable for PSW funding, gestation periods of projects in different sectors, the start-up of PSW in IDA18 with requisite staff training and communication, the design of the instrument (which is intended to address financial risks), and the approval processes involved" (IEG 2021, The WBG’s Experience with the IDA PSW An Early-Stage Assessment, in brief IEG IDA-PSW Assessment, 2021).

By volume, by far IFC’s biggest use of the IDA-PSW window was through the Blended Finance Facility (BFF, over USD 1.3 billion), followed by the Local Currency Facility (LCF, about 600 million), with only small amounts used for the Risk Management Facility (RMF). The IFC-facilities are described as follows (IDA-PSW webpage):

- “Blended Finance Facility 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.
- Local Currency Facility to provide long-term local currency IFC investments in IDA countries where capital markets are not developed, and market solutions are not sufficiently available.
- Risk Mitigation Facility to provide project-based guarantees without sovereign indemnity to
crowd-in private investment in large infrastructure projects.” The limited use of the RMF was due to the fact that “the rollout of the PSW reinforced a shift in focus by both IFC and MIGA toward doing more business in IDA and FCS countries, but it also required time to develop a pipeline of infrastructure projects eligible for the PSW products when market forces were moving against private investment in these markets” (IEG IDA PSW Assessment 2021). More time will be required to develop a pipeline of bankable projects.

The IDA-PSW “facilitated a rapid expansion of existing financial sector programs as part of the global IFC COVID-19 crisis response” because existing programs “allowed the rapid deployment of short-term finance for existing clients in countries where those programs were already operating” (IEG IDA PSW Assessment 2021). More time will be required to develop a pipeline of bankable projects.

IFC has also several other, albeit smaller, BF-Windows. They include the Global Agriculture and Food Security Program (GAFSP), various Climate Facilities with multilateral and bilateral donors and foundations, various gender-focused facilities (Women Entrepreneurs Finance Initiative – WeFi, Women Entrepreneurs Opportunity Facility, Global SME Finance Facility), the Global Financing Facility for Women, Children and Adolescents (GFF), a Blended Finance Facility for Refugees (the PROSPECTS Initiative) and others. Blended finance activities were centralized in 2019. The goal was to create a centre of expertise, according to interviews. However, in the absence of overview reporting on IFC’s use of these facilities it is very difficult to get a sense of their relative importance.

Several interviews with IFC CMs note that with the IDA-PSW window, there is no longer a real resource constraint in IDA and FCS countries. The more difficult issue is finding (or helping to develop) bankable investment projects.

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<tr>
<th>MI 6.2 Evidence confidence</th>
<th>Medium Confidence</th>
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### MI 6.3: The MO uses financing and non-financing instruments to promote market creation and good practices.

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<th>Score</th>
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<tr>
<td>Overall MI rating</td>
<td>3.00</td>
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<tr>
<td>Overall MI score</td>
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Element 1: The MO’s corporate policies and strategies demonstrate a clear commitment to enhancing engagement in challenging contexts, particularly fragile states and low-income countries.

Element 2: The MO deploys a range of financial and non-financial interventions to support engagement and enhance markets in challenging contexts in line with the 2030 Agenda, with the choice and application of instruments justified based on alignment to priorities, risk and economic analysis.

Element 3: The MO’s country strategies identify plans, targets and indicators to guide decision-making and deepen engagement in challenging contexts over time as market conditions change.

Element 4: The MO has a policy and strategy in place to govern exit from equity investments based on its role, development considerations and financial performance of the institution.

### MI 6.3 Analysis

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<th>Source document</th>
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<td>115, 160, 172, 179, 180, 185, 200, 214, 219, 227, 228, 261, 264, 299, 313, 409</td>
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Element 1: The WBG’s 2016 “Forward Look” emphasized FCS and IDA countries. IFC’s SBOs during the review period have focused on implementing IFC 3.0, "an ambitious strategy to develop new and stronger markets for private sector solutions, particularly in IDA countries and Fragile and Conflict affected Situations (FCS)" (IFC, SBO FY21-FY23, 2020).

The WBG’s 2016 Forward Look Strategy emphasized that efforts will be made toward “a stronger financing and operational framework for FCV in IDA18 and onward, a stepping up of IFC and MIGA efforts in IDA countries and FCV environments...[and] Small States will receive attention due to their special development challenges and vulnerability” (WBG, 2016, Forward Look - A Vision for The WBG In 2030 – in brief WBG Forward Look 2016).

IFC focused on “delivering on IFC’s Capital Package commitments to increase the share of O/A [own-account] investments in IDA17 and FCS countries to 40 percent by FY30” (IFC, SBO FY22-24, 2021). IFC is working to
achieve this by “increasing dedicated resources, especially to FCS, deploying a range of financing tools, and accelerating Upstream continue to anchor IFC’s approach to boosting program growth in IDA and FCS” (ibid.). Specifically, IFC focused on short-term and trade financing and expanded use of the IDA PSW. IFC also increased “staffing dedicated to FCS by 69 percent from FY19 to January 2021” (ibid).

Element 2: IFC deploys a variety of products and services to its clients to support engagement and enhance markets in challenging contexts. Market creation is clearly at the centre of IFC’s overall strategy and also deeply embedded in IFC’s country strategies and project-level results framework (Anticipated Impact Measurement and Monitoring) system.

IFC in its SBO 2018-20 describes market creation as working “to improve conditions for market-based delivery of development outcomes” and that it “responds to the challenges in countries where private capital does not flow at a scale required to address major development gaps” (IFC SBO FY18-20, 2017). IFC “will work closely with IBRD/IDA, other MDBs and the IMF on policy and sector reform, using Private Sector Diagnostics (PSD) to identify promising sectors, and using available risk mitigation instruments and advisory services to support clients to invest in challenging environments. The goal will be to expand the pipeline of bankable, private sector projects” (ibid).

To support market creation, IFC’s instruments include:

- “Loans – IFC finances projects and companies through loans from our own account, typically for 7 to 12 years.”
- “Equity – IFC directly invest in companies and financial institutions, including through private-equity funds.”
- “Trade and Supply Chain Finance – IFC’s Global Trade Finance Program guarantees trade-related payment obligations of approved financial institutions.”
- “Syndications – Through syndications, IFC enables public and private partners to participate alongside us as we provide loans to companies in emerging markets.”
- “Treasury Client Solutions – IFC offers derivative and structured finance, along with local currency products and solutions to enable clients to hedge foreign-exchange, interest-rate, and commodity-price exposure.”
- “Blended Finance [BF] – The use of blended finance allows IFC to fill financing gaps by addressing market barriers and attracting private sector investments to areas of high development impact.”
- “Advisory – IFC offers governments and business advisory services to help establish the necessary conditions to attract the most private capital.”
- “IFC Asset Management Company – IFC Asset Management Company mobilizes and manages capital for businesses in developing countries and frontier markets.”
- “Upstream work - early-stage market and project preparation.”

IFC has adapted its mix of instruments to FCS contexts through “most prominently IDA’s PSW, IFC’s CASA initiative, the FCS and low-income country Risk Envelope” (IEG 2022, The IFC’s and MIGA’s Support for Private Investment in FCS, FY 2010–2021):

- “PSW – “blended finance instrument to support private investments in IDA countries and countries affected by fragility, conflict, and violence;”
- “CASA initiative – “multi-donor trust fund dedicated to scaling up IFC’s work in FCS. It provides a platform for IFC to expand its footprint and services in FCS, primarily through staffing in the field and a flexible management approach, which allows for proactive support to the investment pipeline;”
- “FCS and IDA Risk Envelope— “an allocation for high-impact projects beyond IFC’s standard risk tolerance.”

IEG found that “each of these approaches has helped, but there is insufficient evidence on their overall impact on scaling up bankable projects … [and] these instruments (PSW, other blended finance, CAFEF, and SIP) are mainly intended to address financial risks but not nonfinancial risks and constraints limiting the supply of bankable projects in high-risk market” (ibid).

IFC also intensively uses Upstream (US) and Advisory Services (AS) to help develop and strengthen projects, particularly in difficult markets and country-driven budgeting has better aligned its use with country needs.
(based on CPDSs and IFC country strategies. IFC’s Quarterly Operations Reports provide an overview of the upstream portfolio and pipeline, identifying the upstream operations under four categories: (i) seeds (early engagement); (ii) upstream projects; (iii) investments under processing enabled by upstream work; and (iv) committed investments enabled by upstream work. This reporting identified expected commitment dates for the current pipeline of upstream engagements and reports on alignment with strategic priorities, including gender, climate and IDA17+FCS. This reporting similarly identifies and reports on upstream advisory engagements.

During FY19-21, "IFC has invested USD 7.2 billion in countries classified as fragile and conflict-affected and very low income. Of this amount, IFC invested USD 2.8 billion from its own account and mobilized USD 4.4 billion from other investors. IFC and the World Bank have also created initiatives specifically designed to support fragile situations" (IFC’s work in FCS webpage). Initiatives such as:

- The FCS Africa and Africa Fragility Initiative – To better support development in FCS, in 2022 IFC launched the Africa Fragility Initiative (AFI), a USD 74 million, five-year program established with the support of Ireland and Norway."
- "The East Africa Refugee & Host Community Program – IFC’s East Africa Refugee and Host Community Program is a first-of-its-kind advisory program dedicated to developing and supporting private sector solutions for refugees and host communities in Ethiopia, Kenya, Uganda, and Sudan."
- Joint Initiative (JI) on Creating Markets in Forced Displacement Contexts - a joint initiative between IFC and UNHCR "to create inclusive economic opportunities that will benefit refugees and their host communities. Among other goals, the initiative aims to mobilize private sector projects over the next five years to demonstrate the viability of investments in forced displacement contexts" (https://www.unhcr.org/news/press-releases/new-ifc-and-unhcr-initiative-boost-private-sector-engagement-refugees-and-their)

IFC also created SME Ventures, a program that "provides both risk capital to entrepreneurs and fund managers in the world’s most challenging markets."

Stakeholder generally agree (14% strongly agree, 50% agree, and 22% somewhat agree) that "IFC supports deepening of financial markets and promotion of high standards [in country] through equity investment and other instruments", according to the MOPAN survey; 11% indicated that they didn’t know or had no opinion.

Element 3: CPF guidance requires a results matrix with objectives and indicators included in it. Several interviews with IFC CMs have noted that IFC-specific country strategies (CSs) contain "If-then" conditions, i.e., if a certain condition (often a reform taking place), IFC plans to invest. IFC also implements tailored approaches to address challenging contexts (e.g. Ukraine invasion).

The Performance and Learning Review (PLR), which is prepared every 2 years, is expected "in countries where significant changes have taken place since the original CPF, to realign the CPF program with the country’s new realities. The PLR provides an opportunity for updating the choice and mix of instruments, and the modalities or criteria for engagement, as necessary. In addition, the PLR is expected to update the
indicative plan of activities for the next phase of the CPF if they were not well defined at the time of the original CPF* (IBRD/IFC/MIGA/IDA Guidance Country Engagement, 2021)

Interviews revealed that IFC places relatively much more importance on the IFC CSs, implementation of which is typically reviewed twice a year. IFC CSs contain if-then conditions, e.g., if a certain reform takes place, how much more IFC would invest. A review of a sample of four IFC-CSs (Bangladesh, Kenya, Senegal and Serbia) indicated that detailed results frameworks are not available beyond investment volumes, however the CSs were aligned to CPFs. A more systematic IFC-wide assessment is not available. IFC-CS guidance and template do require the inclusion of activities by strategic priority area.

In the context of the Ukraine invasion, IFC has been implementing a “SWAT team” approach to monitor and respond to challenging and fast-moving market conditions outside of the regular touchpoints for CPFs and IFC CS. This approach was first applied during COVID-19 and has been enhanced based on lessons learned. This process involves an iterative review by a specialised team, including: (i) robust macroeconomic monitoring; (ii) consultation with Global Sector Managers and Industry Specialists; (iii) qualitative reviews on an asset-by-asset basis; and (iv) quantitative stress testing of assets deemed to be of high risk. The process also involves enhanced coordination with other DFIs and donors. Overall, this approach provides a means of providing temporary client relief when it is needed and enables stronger management of credit, legal and other risks in a fast-moving environment.

Element 4: IFC compiles regular reporting to govern its equity strategy. IFC’s equity exit process involves active oversight from senior management, including the bi-annual review of sales candidates asset by asset.

During the assessment period, a new equity strategy was approved, which guides how IFC manages its equity portfolio. IFC staff interviewed indicated that the new strategy provides much stronger governance of the equity space, including entrance and exit. Equity management plans and exit strategies are discussed in quarterly equity reviews (of core equity investments) by equity heads.

These quarterly equity reviews consider macro market conditions, short-term cycle analysis, long-term growth potential and political risks alongside the balance sheet, valuation and foreign exchange risks to identify equity investment categories among countries (yes, selective, very selective or no). Contextual factors considered include civil unrest, political risk, resource nationalism and government effectiveness. The quarterly operations report reflects on the performance of the equity portfolio, including realised and unrealised capital gains, commitments, mobilisation and rate of return.

As part of the development of the Operating Principles for Impact Management in 2019, for which IFC led the development and is a signatory, the following principles were identified for equity exits:

- Principle 7: Conduct exits considering the effect of the sustained impact: When conducting an exit, the manager shall, in good fair and fiduciary concerns, consider the effect which the timing, structure and process of its exit will have on the sustainability of the impact.
- Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned: The manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts and use these findings to improve operational and strategic investment decisions as well as management processes.

IFC has completed the implementation of a pilot program to strengthen standards on responsible equity exit and is working on expanding the implementation across the portfolio. IFC has developed “IFC Responsible Equity Principles” in February 2023. This follows a commitment from the management response of a Compliance Advisor Officer Report in 2020 to review operations policies and procedures as they relate to aspects of exit and define IFC’s approach to “responsible exit.”

IFC’s Responsible Equity Exit Principles address: (i) achievement and sustainability of targeted development impact, (ii) addressing E&S issues, (iii) using leverage pre-exit, (iv) institutional constraints, (v) precedential implications. The principles envision a process whereby IFC would first take action early in the project cycle.
to reduce the likelihood of E&S issues being present at exit and strengthen the ability of IFC and clients to react if they arise. A series of guiding questions are identified for each stage of the decision-making process.

<table>
<thead>
<tr>
<th>MI 6.3 Evidence confidence</th>
<th>Medium Confidence</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>MI 6.4: The MO engages with the private sector and financial institutions to mobilise financial resources or promote investment in underserved sectors and expand access to finance.</th>
<th>Score</th>
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<td>Overall MI score</td>
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<tr>
<td>Element 1: The MO has policies, strategies and/or guidelines in place to promote engagement with the private sector, crowd-in finance and expand investment.</td>
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</tr>
<tr>
<td>Element 2: The MO has standards in place to manage its share of funding for investments and other operations and promote mobilisation of private investment.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: The MO has processes in place to develop new and innovative financing structures and promote mobilisation.</td>
<td>4</td>
</tr>
<tr>
<td>Element 4: The MO uses co-financing arrangements and lines of credit to promote high standards and access to finance in retail/SME contexts among underserved markets and populations.</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MI 6.4 Analysis</th>
<th>Source document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Element 1: Mobilisation is core to IFC’s mandate and anchored in IFC’s Articles of Agreement. Mobilisation is also one of the key tenets of its IFC 3.0 strategy. Beyond Mobilisation, IFC has implemented a range of other innovative tools and platforms to engage the private sector and create markets. As part of its capital increase, IFC committed to its shareholders to grow annual mobilisation activities to USD 23 billion per year by 2030. In various Strategy and Business Outlooks (SBOs), IFC committed to seeking new pools of investors (e.g., institutional investors, like pension funds and insurance companies. IFC considers mobilisation as a critical component of its leveraging ability. IFC distinguishes three types of mobilisation: (i) leverage, created through borrowings on IFC’s balance sheet, (ii) investment mobilisation, and (iii) co-financing / catalysation, where IFC develops partnerships with others (such as banks, and institutional investors) who provide capital. IFC also engage with the private sector more generally. CPSDs and IFC sector Deep Dives are key guiding strategies and guidelines for scaling up engagement with the private sector and expanding investment, which are systematically considered for IFC engagement with every country. CPSDs include the following analysis to guide IFC and WBG engagement with the private sector, with the overall goal of crowding-in finance and expanding investment: • An assessment of the state of the private sector; • An identification of economy-wide and sector-specific constraints; • An identification of near-term and longer-term opportunities for private sector engagement; • Policy recommendations to remove policy and regulatory barriers to mobilize private investment. Furthermore, IFC’s approach to working Upstream, central to IFC 3.0 and all IFC strategies, is targeted directly at crowding-in finance and expanding investment. IFC is one of the very few private sector-focused MDB that has a direct and explicit mandate to create new markets (that would lead to expanded investments), and has adjusted its operating framework and strategies accordingly to achieve such objective. MOPAN survey results indicate that shareholders mostly agree (92%) that IFC generates value by crowding in investment and mobilizing capital from multiple sources. Survey respondents were also generally favourable (88%) regarding IFC’s engagement with the private sector and financial institutions to mobilise financial resources and promote investment in underserved sectors and to expand access to finance.</td>
<td>2, 3, 4, 5, 88, 90, 102, 114, 138, 159, 183, 217, 227, 298, 310, 324, 336, 337</td>
</tr>
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</table>
In the context of COVID-19, 47% of respondents to the MOPAN survey were favourable about IFC’s provision of relevant support to private actors in the health sector to support national COVID-19 responses, though 46% of respondents indicated they did not know.

Element 2: IFC’s core mobilisation targets and results are shared in annual SBOs.

“Core Mobilisation remains IFC’s primary target to measure mobilisation, and IFC’s 2030 Core Mobilisation target is 92 cents mobilized for every dollar of Own Account (O/A) Commitments. IFC’s annual results exceeded this target in three of the last four fiscal years and are on track to do so again in FY22” (IFC, SBO 23-25, 2022). The 92% is calculated, based on the goal to have, by FY2030, core mobilisation of USD 23billion (vs. O/A investments of USD 25 billion).
IFC has clear definitions of core mobilisation in place and reports on it annually in its Financial Statements (FS) and Management Discussion & Analysis (MD&A). Together with other private-sector oriented Development Finance Institutions, IFC helped to develop joint definitions, namely:

- **Private Direct Mobilisation** (PDM): Financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement includes mandate letters, fees linked to financial commitment, or other validated or auditable evidence of an MDB’s active and direct role leading to commitment of other private financiers. PDM does not include sponsor financing. (Mobilisation of Private Finance by Multilateral Development Banks and Development Finance Institutions, 2018, published August 2019.)

- **Private Indirect Mobilisation** (PIM): Financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity’s finance. PIM includes sponsor financing, if the sponsor qualifies as a private entity. (Mobilisation of Private Finance by Multilateral Development Banks and Development Finance Institutions, 2018, published August 2019.)

Until FY19, IFC used to have separate annual targets for "Capital mobilized on commercial terms (USD billion)" in its Scorecard, but since FY20 the targets are expressed as "Total LTF commitment: IFC + Core & PPP Mobilisation (USD billion)", i.e., combining O/A and mobilisation. No longer spelling out mobilisation separately could – at least in the short-term – reduce the incentive to mobilize. According to interviews, this change occurred as part of the capital increase negotiations and that mobilisation continues to be an implicit target, with total and O/A still reported in absolute amounts. Additional information on IFC’s performance in mobilisation is presented in KPI 11.

**Element 3:** IFC has implemented innovative new models for mobilisation and has developed many approaches to increase mobilisation, such as the Managed Co-Lending Portfolio Program (MCPP), credit insurance to mobilize insurance companies, and mobilisation through local currency syndications.

IFC implements several platforms to support mobilisation, including the MCPP and AMC, described in further detail above in MI 3.3.

Over the review period, IFC has particularly increased mobilisation through PPP-AS (from USD 0.8B in FY16 to USD 3.6B in FY22, on average accounting for 20% of IFC’s core mobilisation) and more than tripled mobilisation through initiatives (in total from USD 1.1 billion in FY16 to over USD 3.3 billion in FY22), which accounted on average for 29% of IFC’s core mobilisation, including the following (accounting for 15%):

- **GTLP** (global trade liquidity program), which “offers confirming banks partial or full guarantees to cover payment risk on banks in the emerging markets” ([https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial_institutions/priorities/global+trade/gtlf](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial_institutions/priorities/global+trade/gtlf))

- **CCFP** (critical commodities finance program), which “shares risk with global and regional banks as they expand their emerging market commodities trade portfolios” ([https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial_institutions/priorities/global+trade/critical+commodities+finance+program](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial_institutions/priorities/global+trade/critical+commodities+finance+program))

- **GWFP** (global warehouse finance program which “supports the agriculture sector by providing banks with liquidity or risk coverage backed by warehouse receipts, which can be used to provide financing in the form of short-term loans or guarantees to agricultural producers and traders” ([https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial_institutions/priorities/global+trade/gwfp](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial_institutions/priorities/global+trade/gwfp)).

IFC also started debt security mobilisation (USD 1.1B in FY22) and mobilized through the DARP (distressed asset recovery program), on average USD 367M from FY18-22).
Figure 11. IFC core mobilisation

Source: IFC Annual Reports FY17-22.

Element 4: For all co-financing arrangements, IFC applies its environmental, social and governance (ESG) standards, which – through the Equator Principles – have become the de-facto global standards in commercial finance.

Historically, financial intermediaries (FIs) used to be an area where IFC on the one hand had set global standards (Equator Principles) and had performance standards that went beyond what regulators and other investors required; on the other hand, it was also an area where IFC found it relatively more difficult to uphold its standards. Following a 2011 compliance audit by IFC’s Compliance Advisor/Ombudsman (CAO), IFC Management developed an Action Plan, but in FY17 the CAO still found significant weaknesses (e.g., “IFC does not, in general, have a basis to assess FI clients’ compliance with its E&S requirements” and that there are “gaps in IFC’s approach to ensuring that people affected by the business activities of its FI clients have ready access to external communications and grievance mechanisms) (CAO, 2017, Third Monitoring Report of IFC’s Response to: CAO Audit of a Sample of IFC Investments in Third-Party Financial Intermediaries).

IFC subsequently took many steps to help improve application of the standards: It launched a web-portal to support FIs in 2011 which, with the help of donors, has developed into a full web-page of support: FIRST (Financial Institutions: Resources, Solutions and Tools, IFC developed an Interpretation note on FIs in 2012 (updated in 2018) and has a Diagnostic Tool to assess an FI’s Environmental and Social Managements System (ESMS), and recently published a “Tipsheet for Financial Intermediaries (2023)”. The ESMS diagnostic tool is “designed to enable IFC, FIs, institutional investors, and asset managers to assess or self-assess the quality of an ESMS and benchmark it against IFC’s Performance Standard 1 and good market practices” (https://www.ifcesmsdiagnostic.org/#:~:text=IFC’s%20Environmental%20and%20Social%20Management,1%20and%20good%20market%20practices). However, there has not been any recent independent assessment (e.g., by IEG or the CAO) assessing the effectiveness of these tools (the CAO is currently working on an assessment). The CAO website shows that 11% of the complaints (2001-2021) related to FIs, somewhat higher than prior to the review period (2001-2016: 9%).

It is also important to point out that while IFC has developed many useful guidance materials, these are not mandatory in the same that IFC’s performance standards are (which provide the basis of the Equator Principles). The Performance Standards have not been updated since 2012 such that emerging issues may not be clearly reflected in mandatory standards (see also KPI 4).

In its capital increase package (CIP), IFC also committed to increase access to finance for women, namely quadrupling the amount of annual financing dedicated to women and women-led SMEs to USD 1.4 billion by 2030 (WBG Capital Package Proposal, 2018) and increasing in investments in financial intermediaries (FIs) targeting women to USD 2.6 billion by FY30. As of FY22, IFC had already reached 60% (USD 0.84 billion) of the first and 92% (USD 2.4 billion) of the second target (WBG CIP Implementation Report, 2022).
### MI 6.4 Evidence confidence

<table>
<thead>
<tr>
<th>MI 6.5: The MO coordinates key business practices (planning, design, implementation, monitoring and reporting) with relevant peer organisations.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Highly Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>4.00</td>
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</tbody>
</table>

#### Element 1: The MO actively engages in joint exercises/mechanisms to support alignment and best practice in operational principles, including for blended concessional finance.

- Blended finance, for which IFC chairs the DFI Working Group on Blended Concessional Finance for Private Sector Projects and contributes to producing Joint Annual Reports on the use of Blended Finance among DFIs since 2017. IFC has also taken a leadership role in developing joint definitions and reporting on mobilisation of private finance (see 6.4) and coordinates with other MOs to produce Joint Annual Reports in this area.

- IFC has also been engaged in as developing and refining Harmonized Indicators for Private Sector Operations (HIPSO – [https://indicators.ifipartnership.org](https://indicators.ifipartnership.org)) among DFIs and Joint Impact Indicators with a broader group of Impact Investors, developing operating principles for impact management group with a broad group of stakeholders, developing a harmonized framework for additionality in private sector operations among DFIs, etc.

- IFC's Environmental and Social Performance Standards have – via the Equator Principles – become the de-facto E&S standard in emerging markets.

- On additionality, IFC has helped develop the Harmonized Framework for Additionality in Private Sector Operations (2018) and plays a leading role as chair of the working group.

#### MI 6.5 Analysis

#### Source document

- IFC also engages with other MDBs and DFIs on a number of innovative initiatives, including:
  - IFC and IDB Invest [partnered](https://www.ifc.org/en/innovation/insights/innovationagenda/middle-income-country-development/innovationagenda-midlow-income-country-development/) with HDF Energy and Rubis to develop the first green hydrogen power plan in Barbados in 2022.
  - IFC and Proparco [partnered](https://www.ifc.org/en/innovation/insights/innovationagenda/middle-income-country-development/innovationagenda-midlow-income-country-development/) to support the growth of sustainable urban infrastructure in Rwanda in 2022.
  - IFC [partnered](https://www.ifc.org/en/innovation/insights/innovationagenda/middle-income-country-development/innovationagenda-midlow-income-country-development/) with the Asian Infrastructure Investment Bank to support green housing in Romania through an innovative bond investment project.

MOPAN survey results are generally positive (74%) regarding IFC’s active engagement in coordination mechanisms for planning, implementation, and monitoring with other peer organizations; 14% of respondents indicated they didn’t know or had no opinion. Results from respondents from peer...
organisations, however, were somewhat less positive (65%), with 29% negatively and 6% responding they did not know.

Q5 [05] IFC is actively engaged in coordination mechanisms [in COUNTRY] for planning, implementation, monitoring with other peer organizations.

Element 2: IFC shares knowledge through several channels to promote consistent approaches among DFIs and collaboration with UN entities that support the achievement of development objectives.

Alongside examples noted in 6.5.1, above, IFC has supported sharing of knowledge to identify consistent approaches through other channels. These platforms include knowledge produced in collaboration with other organisations.

Key examples include, but are not limited to:

- IFC established the Private Sector Development Research Network which combines knowledge generated by the WBG, other international institutions, consulting firms, think tanks and academics.
- IFC shares all CPSDs publicly via an online platform.
- IFC is a co-organizer of the DFI Fragility Forum, alongside BII, AfDB, and hosted by Oxford University.
- Following its role as chair of the DFI Blended Finance working group, IFC represented DFIs in the OECD Tri Hita Karana working group on Blended Finance.
- In March 2017, IFC held the first annual Evaluating Private Sector Development Impact Conference, which featured 24 donor partners, multilateral development banks, and international finance institutions. The conference highlighted the importance of evaluations, specifically in the areas of economic growth and jobs.
- IFC leads the preparation of the Joint Report on Mobilisation of Private Finance by Multilateral Development Banks and Development Finance Institutions, which follows a common methodology.
- IFC publishes alongside other MDBs in the annual MDB Climate Finance report.
- The joint IFC-World Bank reports on trade finance in West Africa, which assesses the shortfall in trade finance in these countries. It also outlines ways of removing obstacles to credit facilities and of unleashing the trade potential of the region.
- IFC and EIB Global Emerging Markets risk database consortium, one of the world’s largest credit risk databases for the emerging markets operations of its member institutions.
- The IFC-IEA joint research highlighting need to ramp up clean energy investments.
- IFC and UNHCR launched a Joint Initiative in 2022 to boost private sector engagement for refugees and their host communities.
- IFC and ILO partnered since 2007 to develop the Better Work Program to promote decent work and competitiveness in the global garment industry. Better Work is active in approximately 2,000 textile & apparel factories in 12 countries. IFC and ILO also collaborate to promote and strengthen women’s participation in the insurance market.
- IFC and the World Bank partnered with ILO, UNICEF and UNHCR in the PROSPECTS Partnership with the objective of bringing about a change in thinking from a humanitarian to a development approach towards forced displacement by focusing on nexuses between education, protection and employment.
- IFC established the Alliance for Entrepreneurship in Africa to scale up collaboration to support private sector entrepreneurship and growth of SMEs with various partners.
• IFC has been an instrumental part of the Rockefeller Foundation’s Global Energy Alliance for People and Planet.

MOPAN survey results that generally stakeholders agree (73%) that IFC coordinates with peer organisations to share knowledge, promote coherence, and avoid fragmentation; however, there is some disagreement on the part of some shareholders (19%), peer organisation representatives (24%), and donors (19%). In total, 14% of respondents indicated that they didn’t know or had no opinion.

Element 3: IFC participates in various initiatives to harmonize key indicators and processes for measuring development impact.

Key examples include:

• IFC chairs the DFI Working Group on Enhanced Blended Concessional Finance for Private Sector Projects and has taken a lead developing, with other DFIs, Principles guiding the use of BF and reporting and since 2017 leads the publication of the Joint Annual Reports on the use of BF among DFIs;
• IFC’s Environmental and Social Performance Standards have – via the Equator Principles – become the de-facto E&S standard in emerging markets.
• IFC has been engaged and had an active role in developing and refining the Harmonized Indicators for Private Sector Operations (HIPSO) among DFIs and Joint Impact Indicators with a broader group of Impact Investors.
• On additionality, IFC chaired the working group that developed the Harmonized Framework for Additionality in Private Sector Operations.
• IFC developed the Master Cooperation Agreement, a co-lending framework that standardizes documentation and enhances efficiency for both borrowers and lenders, with more than 30 signatories. This was recently updated through a new extension of the MCA, the Joint Cooperation Framework Agreement (JCFA), which enables other lenders to play the role of lead arranger. The JCFA also creates a structure for partnership in upstream project development work, as DFIs focus their efforts on building a larger pipeline of bankable projects in developing countries.
• As part of an effort to ensure the practical application of the Quality Infrastructure Indicators agreed by the G20, IFC lead the development of the QII Indicators with input across the MDBs and other partners. IFC more recently lead follow-up reporting on pilot projects assessed under the QII and emerging lessons learned from these projects.
• IFC developed the Operating Principles for Impact Management to assess the impact management systems of funds and institutions. These have been embedded in many impact investors playbooks – over 140 privately and publicly owned funds and institutions, with more signatories still joining.
• IFC plays a leadership role in developing guidelines and procedures for the green bond market as a member of the Green Bond Principles Executive Committee and the IFI Handbook — Harmonized Framework for Impact Reporting.
• IFC is a key member of the MDB Climate Managers group, which developed the methodology for assessing alignment with the Paris Agreement, and IFC co-led the development of the methodology for lending through financial intermediaries.

MI 6.5 Evidence confidence

Medium Confidence
MI 6.6: The MO shares key information (analysis, budgeting, management, results etc.) in line with IATI requirements, when relevant and appropriate, based on Access to Information policy.

<table>
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<tr>
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<th>Overall MI rating</th>
<th>Overall MI score</th>
<th>MI 6.6 Analysis</th>
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<td>Satisfactory</td>
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<td>Element 1: The MO has a clear corporate statement on the transparency of information that is aligned to the International Aid Transparency Initiative, as appropriate to the private sector context.</td>
<td>31, 96, 104, 245, 340, 341, 342, 343</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Element 2: The MO makes information available on analysis, budgeting, management in line with the guidance provided by the International Aid Transparency Initiative.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Element 3: The MO responds to partner/public queries on analysis, budgeting, management and results are consistent with the organization’s Access to Information Policy and addressed in a timely fashion.</td>
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</table>

MOPAN survey results are somewhat positive (70%) with regards to the statement “IFC shares relevant information on its website and in response to queries in line with its Access to Information Policy”. 23% of respondents indicated that they didn’t know or had no opinion.

MI 6.6 Analysis

Element 1: IFC has a clear Access to Information Policy and is a member of the International Aid Transparency Initiative.

The IFC’s Access to Information Policy allows IFC to make "available information concerning its activities that would enable its clients, partners and stakeholders (including Affected Communities), and other interested members of the public, to understand better, and to engage in informed discussion about, IFC’s business activities, the development outcomes and other impacts of its activities, and its overall contribution to development. The information IFC makes available in accordance with these principles can be categorized as: (a) institutional information about IFC; and (b) project-level information regarding investments and advisory services supported by IFC" and "there is a presumption in favour of disclosure...absent a compelling reason not to disclose such information." (IFC, Access to Information Policy, 2012).

IFC joined IATI in 2017 and provides data monthly to IATI (i.e., project and programme data that details "what the work is, where and when it happened or is happening, who is involved, how it is being financed and so on").

Publishwhatyoufund reports that IFC reporting to IATI fell to quarterly in 2022, however, some stakeholders noted that this was due to a technical glitch that resulted in IATI not capturing IFC’s monthly reports. Publish What You Fund (PWYF) is an independent Civil Society Organization (CSO) developed alongside IATI (but not part of IATI) that assesses, compares, and tracks the level of aid transparency of development partners by using information published (or not) to the IATI standard. The Aid Transparency Index (ATI) is produced by PWYF, which scores organizations based on an absolute view of public sector transparency, rather than a relative view of what the organization should be able to disclose in line with its activities. PWYF (not IATI) rated IFC’s transparency as “Fair” on its independent ATI.

Stakeholders from IFC noted that IFC’s IT Services Department publishes updated Country activity files to an IATI folder hosted on IFC’s website on the last business day of each month in an automated process. IATI measures the frequency with which an organization publishes by analysing transaction changes in the data sets that it downloads and reflecting this on their Publication Timeliness table. For a period in 2021 the publication timeliness table was not accurately capturing IFC’s publication frequency. IFC is recorded for having published every month since the issue was raised. The underlying technical cause was never identified.
Element 2: In some areas, IFC has been a standard-setter. The IFC reports to IATI on a monthly basis and is rated fair by the Aid Transparency Index in terms of transparency; however, IFC was rated first in the inaugural DFI Transparency index.

In some areas, IFC is a standard-setter, for example in terms of project-level disclosure of blended finance (level of concessionality) or in terms of having an external assurance provider review IFC’s development results information. IFC also discloses detailed financial information in its financial statements and management discussion and analysis.

On the other hand, IFC has only been rated “Fair” by the Aid Transparency Index, also behind several of the private sector operations of other multilateral development banks. (Aid Transparency Index, 2022), with slight decline from 2020 to 2022 (from a score of 58.1 to 53.0), “reflecting little change in their publishing practices over the last 2 years.” The 2022 Aid Transparency Index noted the following for each component (Publishwhatyoufundef, 2022, Aid Transparency Index - World Bank IFC):

- **Organisational planning and commitments component** - IFC performed best under this component and it “published data for all indicators to the IATI Registry.”
- **Joining-up development data component** - IFC scored “just above average for the ‘fair’ group. World Bank-IFC published five of eight indicators to the IATI Registry and provided good quality data. However, it did not publish contracts or tenders in its IATI data.”
- **Project attributes component** - “IFC published all indicators for the project attributes component, with the exception of conditions. However, it dropped nearly seven points from 2020 for this component. It did score well on project status, descriptions, titles, and unique ID but failed our data quality checks for sub-national locations as they were mostly at the national level.”
- **Performance component** - “IFC performed poorly for the performance component because it only made data available for the objectives indicator on the IATI Registry. The results indicator failed sampling because we did not find up to date results data. Even though reviews and evaluations were sometimes available in other formats, they scored no points because they were not activity specific.”
- **Finance and budgets component** - “IFC performed particularly poorly for the finance and budgets component, dropping nearly three points from 2020. It only published data for one out of the seven indicators to the IATI Registry. For budget alignment, the capital spend was not present in the IATI data. World Bank-IFC made its total organisation budget and project budget available elsewhere but did not disclose disaggregated budgets in any format. World Bank-IFC made data for its total organisation budget available only one year forward-looking rather than the optimum three years. We could not find project budget documents nor disbursements and expenditures data.”

IFC considers that several of the indicators chosen by PWYF has chosen to evaluate are for public institutions, which naturally disclose more information, and that among private sector-oriented development finance institutions (DFIs). Furthermore, some stakeholders expressed concerns around identified data and methodological discrepancies and dissatisfaction with PWYF response, including a perception that certain findings could not be replicated. Additional issues, noted above, include the failure to register monthly reporting by IFC.
In response to a perceived lack of appropriateness of the transparency indicators established under IATI to DFIs, IFC worked with PWYF to establish the DFI Transparency Index. This index is meant to provide detailed, granular guidance on the types of information that DFIs should disclose. Furthermore, the 52 indicators are thought to be more relevant to DFIs and the information that is feasible for DFIs to disclose. The index functions as a framework of analysis through which Publish What You Fund can measure the transparency of DFIs. For the inaugural report, in 2023, IFC ranked first among the non-sovereign DFIs.

IFC also published its investment, development impact and advisory results publicly through its Annual Report, including detailed reports in online annexes. These annexes include detailed reporting on reach indicators such as “students reached,” “farmers reached” and “energy generation” as well as reporting on new job creation, including for women and revenue payments to governments.

Element 3: The Access to Information Policy sets out a process to request information and an appeals mechanism which is easily accessible. IFC has a demonstrated track record of responding to access to information requests within the timeframe specified in its policy.

IFC’s AIP sets out timelines and requirements to file an appeal. Appeals are adjudicated based on if the information release would violate the AI policy and if the information is in the public interest.

IFC’s 2012 AIP states that IFC aims to respond to information or disclosure requests within 30 calendar days. The average response time is tracked to ensure IFC meets this commitment. Between July 2017 and June 2022 there were 6,326 information or disclosure requests made through IFC’s project disclosure portal. 90% of inquiries were responded to within 30 days; another 7% within 40 days, 2% within 50 days, and a small number requiring more time to respond. In instances when a response cannot be provided within 30 days, information requestors are notified that their query requires more time to respond. Over a third of inquiries were responded to within 1 week, and more than half were responded to within 2 weeks. The average response time was 15 days, even when counting the outliers.

<table>
<thead>
<tr>
<th>MI 6.7: The MO implements clear standards and procedures for accountability to beneficiaries.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Satisfactory</td>
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<tr>
<td>Overall MI score</td>
<td>2.75</td>
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Element 1: Investments are subject to a systematic process for stakeholder engagement, including informed consultation and participation in line with host country obligations, international law and the Equator Principles or equivalent standards.

Element 2: The MO has identified specific resources responsible for following up on consultation with stakeholders, including host governments, civil society and affected populations and providing advice to staff.

Element 3: Relevant investments are subject to an independent monitoring, reporting and review mechanism, in compliance with the Equator Principles or equivalent standards.

Element 4: An independent grievance and review channel has been implemented to promote accountability to Project Affected People.

<table>
<thead>
<tr>
<th>MI 6.7 Analysis</th>
<th>Source document</th>
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<tbody>
<tr>
<td>Element 1: IFC investment and advisory clients are subject to IFC’s performance standards (which the Equator Principles are based on), and they contain a systematic process for stakeholder engagement. IFC has also developed many resources for stakeholder engagement, however, they are not mandatory standards. The first performance standard (PS 1) requires: &quot;Effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them.&quot; Stakeholder engagement “may involve, in varying degrees, the following elements: stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, grievance</td>
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<td>23, 94, 95, 149, 150, 151, 230, 239, 242, 243, 316, 439</td>
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mechanism, and ongoing reporting to Affected Communities.” The frequency of engagement “will be commensurate with the project’s risks and adverse impacts, and the project’s phase of development,” Clients are responsible for monitoring the effectiveness of the management program and “extent of monitoring should be commensurate with the project’s environmental and social risks and impacts and with compliance requirements”.

IFC’s Sustainability Framework encourages inclusive stakeholder engagement, particularly involving women and vulnerable populations in informed consultation and participation to promote inclusive development impact. This is reinforced in IFC guidance and resources on stakeholder engagement. PS 4 (Community Health and Safety) also contains important conditions safeguarding local communities as made clear in its objectives: (i) “To anticipate and avoid adverse impacts on the health and safety of the Affected Community during the project life from both routine and non-routine circumstances,” and (ii) To ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to the Affected Communities.

IFC has developed several “Implementation Resources”, which, however, are not mandatory:

- Addressing Grievances from Project-Affected Communities
- Introduction to Health Impact Assessment
- IFC and Government of Canada (2022), Toolkit: Supporting Companies to Develop and Manage Community-Based Grievance and Feedback Mechanisms Regarding Sexual Exploitation, Abuse and Harassment


IFC is in the process of finalizing and publishing an updated guidance note for FI projects that aims to clarify how it will assure itself of FI E&S performance and strengthen its due diligence and supervision of FI clients.

MOPAN survey results indicate that stakeholders generally have positive (79%) views about IFC ensuring that stakeholders and project affected people are consulted appropriately. 14% of respondents indicated that they didn’t know or had no opinion.

**Q5 [09] IFC ensures that stakeholders and project affected people [ in COUNTRY] are consulted appropriately.**

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<thead>
<tr>
<th>Group</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Somewhat agree</th>
<th>Somewhat disagree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Don't know / No opinion</th>
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<td>Shareholders</td>
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**Element 2: IFC has dedicated resources for following up on consultation with stakeholders, including host governments, civil society and affected populations and providing advice to staff as well as an independent oversight function that reports to its Managing Director.**
It has recently further strengthened the role of the Compliance Advisor/Ombudsman and developed a stakeholder grievance response function. In the most difficult areas (FCS and IDA countries), an External Review found that IFC will need to significantly increase resources.

The E&S institutional arrangements evolved over the assessment period. Initially, there was a single E&S department reporting to the Legal Vice President. As of 2019, this function was moved to the Operations VPU and an independent oversight function was established which reports directly to IFC’s Managing Director. The Operations VPU has around 200 specialists – 170 for E&S and 30 for gender; staff are organized by region for investment support and there is also a global support team. Staffing has increased by 20 percent in the last four years.

**Element 3:** IFC Performance Standards require that the client will establish procedures to monitor and measure the effectiveness of the management program, as well as compliance with any related legal and/or contractual obligations and regulatory requirements. Recent assessments indicate that the implementation of grievance mechanisms has been inconsistent over the course of the assessment period in this regard. IFC is taking actions to address these challenges, although it is too early to measure results.

Where the government or other third party has responsibility for managing specific risks and impacts and associated mitigation measures, the client will collaborate in establishing and monitoring such mitigation measures. Where appropriate, clients will consider involving representatives from Affected Communities to participate in monitoring activities. The client’s monitoring program should be overseen by the appropriate level in the organization. IFC’s Sustainability Framework encourages gender-sensitive and inclusive application of review mechanisms. For projects with significant impacts, the client will retain external experts to verify its monitoring information.

External experts are required to have substantive and extensive experience in similar projects. They should be involved or engaged early in the project’s development phase and, as necessary, in the various stages of design, construction, and commissioning of the project. In addition, the services of qualified external experts are typically required in certain defined circumstances, on issues concerning resettlement (as provided in Performance Standard 5), biodiversity (as provided in Performance Standard 6), Indigenous Peoples (as provided in Performance Standard 7) and cultural heritage (as provided in Performance Standard 8; IFC, 2021, Guidance Note 1 Assessment and Management of Environmental and Social Risks and Impacts). The extent of monitoring should be commensurate with the project’s environmental and social risks and impacts and with compliance requirements.

**External Panel Review**

External Review of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA)’s Environmental and Social (E&S) Accountability, including the Compliance Advisor Ombudsman (CAO)’s Role and Effectiveness (the External Review), was initiated in 2018 by the Committee on Development Effectiveness (CODE) on behalf of the Boards of the IFC and MIGA (the Boards). A team of independent experts conducted the review and presented a report with 136 recommendations to CODE and the Committee on Governance and Executive Directors’ Administrative Matters (COGAM) for discussion on June 24, 2020.

In October 2020, CODE/COGAM endorsed the Final Roadmap Package on IFC & MIGA E&S Accountability, including CAO’s Role and Effectiveness (the Roadmap Package) prepared by IFC, MIGA, and CAO. The External Review recommendations were clustered into the following three areas: (i) the IFC/MIGA Independent Accountability Mechanism (CAO) Policy, which was approved by the Board in June 2021 and is under implementation; (ii) non-policy actions for IFC/MIGA, which have been completed as reported to CODE in the “External Review of IFC/MIGA Environmental and Social Accountability, Including CAO’s Role and Effectiveness, Fourth update on IFC/MIGA Non-Policy Actions” (June 30, 2023); and (iii) an IFC/MIGA Approach to remedial actions, which is currently under development. By September 2023, 133 of the 136 recommendations had been completed, with three recommendations related to remedial actions in progress.
26 of the External Review recommendations related to strengthening E&S risk management, including reinforcement of initiatives that were already underway prior to the completion of the External Review. These recommendations, all of which have been completed, related to:

- Improving systems and procedures, including internal IFC E& Review Procedures.
- Enhancing project-level grievance mechanisms to better handle complaints at an earlier stage.
- Clarifying IFC's application of E&S requirements for FIs.
- Strengthening how IFC/MIGA handle CAO and non-CAO complaints.
- Providing greater clarity on criteria related to supply chains.
- Mainstreaming contextual risk assessment in due diligence and supervision.

**Financial Intermediaries**

The CAO’s Third Monitoring Report (2017) on the follow up to the CAO’s recommendations from the Financial Sector Audit of IFC's Operations found significant weaknesses concerning FI-operations (e.g., “IFC does not, in general, have a basis to assess FI clients’ compliance with its E&S requirements” and that there are “gaps in IFC’s approach to ensuring that people affected by the business activities of its FI clients have ready access to external communications and grievance mechanisms) (CAO, 2017, Third Monitoring Report of IFC’s Response to: CAO Audit of a Sample of IFC Investments in Third-Party Financial Intermediaries).

The 2020 External Review of IFC’s E&S Accountability recommended IFC to “further clarify how it will assure itself of FI E&S performance, and strengthen its due diligence and supervision of FI clients, including through an update of the FI Interpretation Note”. The 2020 External Review concluded that IFC in order “to support clients in IDA-eligible and fragile countries, IFC and MIGA will have to spend considerably more resources at the front-end during project design, preparation, and implementation to help their clients mitigate adverse impacts and achieve positive E&S outcomes.”

In September 2023, IFC published an updated Guidance Note on Financial Intermediaries to provide clearer guidance with respect to IFC Sustainability Policy requirements for IFC’s FI transactions as well as to clarify how IFC will assure itself of FI E&S performance and strengthen its due diligence and supervision of FI clients. This updated Guidance Note builds on and replaces the original FI Interpretation note published in January 2012 and updated in November 2018.

**Grievance Mechanisms**

The External Review recommended IFC to enhance project-level grievance mechanisms to better handle complaints at an earlier stage as well as to review effectiveness of project-level Grievance Mechanisms (GMs) by reviewing documentation of GM cases; interviewing GM staff and other client representatives expected to interact with affected communities, along with members of affected communities; and reviewing complaints about the investment channelled to other mechanisms. In response to these recommendations, IFC undertook a portfolio review to better understand client performance as well as the efficacy of IFC’s appraisal and monitoring of stakeholder engagement and GMs.

The portfolio review assessment that was done as part of the follow up actions to the CAO recommendations, which finalized in October 2022, highlighted the existence of challenges in the implementation and monitoring of client grievance mechanisms (GMs) and External Communication Mechanisms (ECMs), including gaps in IFC client capacity to implement GMs in line with the Performance Standards and need to strengthen IFC E&S Specialist’s capacity in the evaluation of clients ECMs/ GMs (External Review of IFC/MIGA Environmental and Social Accountability, including CAO’s Role and Effectiveness, Fourth IFC/MIGA Non-Policy Actions Update. June 30, 2023). The review utilized a quantitative and qualitative assessment approach, based on a statistically representative sample of direct investment projects and FI clients. Three methods were utilized to gather information for the review: (i) an in-depth review of project documentation; (ii) interviews with clients, IFC E&S specialists and CAO staff; and (iii) an anonymous survey of clients and IFC E&S Specialists.

This portfolio review was instrumental in providing IFC with robust information and data to develop targeted interventions for improving client performance, including IFC guidance and supervision, which is a key step towards addressing the identified gaps. Furthermore, the review identified good practices that are being
implemented by clients. The results of the review are being used to inform the development of GM/ECM
capacity building materials and fit-for-purpose guidance for specialists and clients.

In addition, in response to the 2018 IEG Evaluation on Citizen Engagement report, IFC has developed
internal training for IFC E&S Specialists focused primarily on stakeholder engagement and some elements
of grievance mechanisms. Approximately 90 staff have been trained since January 2020 and it will continue
to be rolled out in regions. Toward this end, IFC provided evidence of new training being implemented for
clients and IFC staff on ensuring meaningful and effective engagement and management of stakeholder
grievances throughout the investment cycle. This includes training integrated into the core curriculum for
IFC staff toward creating a more active engagement culture. The training illustrates the steps to be taken by
IFC during screening, preparation, appraisal and supervision to help ensure that stakeholder engagement,
including the management of grievance mechanisms, is being conducted in compliance with PS1 and
relevant issues are identified, flagged and addressed.

Additional training has been launched for clients, providing guidance on how stakeholder engagement
should be completed, how grievance mechanisms should be established and managed and communicating
IFC’s zero tolerance policy for retaliation. These training programs commenced prior to the portfolio review,
and IFC will now incorporate a deep dive on grievance mechanisms and external communication
mechanisms. As mentioned above, it is too early to assess the impact of the plan as it is still being
implemented, but IFC is on schedule as per the timelines committed in the roadmap.

At the project level, implementation plans provide a summary of E&S risks, including mitigation strategies.
Supervision reports demonstrate regular following on E&S risks, including compliance with relevant
Performance Standards and implementation of mitigation plans. At the organisational level, the frequency
of supervision for E&S issues is monitored as part of Quarterly Portfolio and Risk Reports against defined
targets. Although COVID impacted IFC’s ability to conduct site-based visits between FY20 and FY22, quarterly
reports indicate that the frequency of such supervision missions is again in line with corporate targets.

MOPAN survey results indicate that a majority of stakeholders agree (65%) that IFC has appropriate
safeguards, including on gender-based violence, to protect vulnerable populations. A considerable amount
(30%) indicated that they were unsure about this.

Element 4: IFC’s Performance Standard on Environmental and Social Sustainability requires “the use of an
effective grievance mechanism that can facilitate early indication of, and prompt remediation for those
who believe that they have been harmed by a client’s actions.”

IFC has had (since 1999) a Compliance Advisor/Ombudsman, with 3 different mandates (dispute resolution,
compliance and advisory), to enhance E&S outcomes, and foster accountability and learning (CAO website).

The CAO’s Third Monitoring Report (2017) on the follow up to the CAO’s recommendations from the
Financial Sector Audit of IFC’s Operations found that only 2 of 35 reviewed operations had an adequate
grievance mechanism (albeit IFC disputed the findings of that monitoring report). The report noted that
“from the projects sampled, IFC has not systematically reviewed clients’ approach to receipt of complaints
at appraisal nor has it required mitigation measures to address the requirement that FI clients establish an external communications and grievance mechanism. IFC’s appraisal and supervision of these requirements has either been absent or unsatisfactory”. It is unclear to what extent these issues have since been addressed.

The External Review of IFC/MIGA E&S Accountability (2020) found that “Both client and IFC/MIGA response mechanisms must be strengthened “due to the following weaknesses:

- “IFC/MIGA currently have limited capacity for either due diligence or supervision of such grievance mechanisms. Evidence available from supervision and from evaluations show that in many cases insufficient attention is given to grievance mechanisms by the client and by IFC/MIGA. Where they do exist, grievance mechanisms (whether at the project level or at the organizational level) may not be utilized if complainants do not trust the client or are worried about retaliation.”
- “Sometimes affected communities bring complaints directly to IFC/MIGA staff and Management. IFC and MIGA have had no centralized and systematic way to register and respond to these complaints. As a result, the organizational response to complaints has been highly dependent on the initiative and professional judgment of the investment teams and managers who receive particular complaints. Neither IFC nor MIGA have the tools for learning systematically from their responses to such complaints. “

Subsequently, the CAO Policy was strengthened in 2021 (after external consultations around it), specifically the policy:

- “Strengthens accountability at IFC and MIGA with a focus on facilitating access to remedy for project-affected people...
- The Policy reinforces CAO’s independence from IFC and MIGA Management and strengthens the role of the IFC and MIGA Boards in the CAO process...CAO will report to the Boards under the new Policy...
- It promotes people’s access to CAO and respects complainants’ choice in the process, while providing more opportunities for IFC, MIGA, and clients to resolve complaints early and proactively. Importantly, it integrates an approach to threats and reprisals, which is a growing area of concern among complainants in many countries...
- It ensures a transparent, fair, and predictable process for complainants and clients, with clear timeframes and expectations for handling complaints. It includes clearer eligibility requirements for complaints related to financial intermediary (FI) clients and supply chains where the financial relationship to IFC/MIGA may be indirect...
- The Policy enhances the process for compliance reviews of IFC and MIGA and the role of Management in responding to compliance findings through timebound, remedial action plans developed in consultation with clients and complainants and focus on outcomes for affected communities...
- The Policy also promotes dissemination of information about CAO and project-level grievance mechanisms to ensure these mechanisms known to project-affected people” (https://www.cao-ombudsman.org/news/new-cao-policy-enhances-ifc-and-migas-accountability)

The CAO has published a Handbook on Grievance Mechanisms (FY2017). However, it is unclear to what extent this guidance is being followed. The 2020 External Review found that “IFC and MIGA should conduct a detailed assessment of implementation of grievance mechanisms in a sample of their investments, exploring the challenges faced and how they can be overcome, consulting widely with both affected people and clients.”

Since then, IFC has established a stakeholder grievance response (SGR) function in 2022 and “has increased staffing capacity and resources to strengthen SGR’s work” (IFC/MIGA Approach to Remedial Action, 2022). As noted in 6.7.3, above, this has been complemented by staff and client training around responsibilities and follow-up on stakeholder engagement and the management of grievance mechanisms.

A considerable amount of MOPAN survey respondents indicated that they were unsure (35%) about whether IFC had adequate processes to ensure grievances can be raised and are addressed, including on gender-based violence; 59% of respondents held favourable views on this.
Q5 [11] IFC has adequate processes [in COUNTRY] to ensure grievances can be raised and are addressed, including on gender-based violence.

MI 6.7 Evidence confidence

MI 6.8: Participation with national and other partners in mutual assessments of progress in implementing agreed commitments

| Score | Overall MI rating | Overall MI score | Element 1: Participation in joint performance reviews of interventions e.g. joint assessments | Element 2: Participation in multi-stakeholder dialogue around joint sectoral or normative commitments | Element 3: Use of surveys or other methods to understand how partners are experiencing working together on implementing mutually agreed commitments.

MI 6.8 Analysis

This MI is not applicable to private-sector facing Multilateral Organisations.

MI 6.8 Evidence confidence

MI 6.9: Use of knowledge base to support policy dialogue and/or advocacy.

| Score | Overall MI rating | Overall MI score | Element 1: The MO’s corporate documentation explicitly recognises the organisation’s role in knowledge production. | Element 2: The MO’s knowledge products are produced and utilised by partners to inform action. | Element 3: The MO generates knowledge products in a way that promotes uptake and use by targeted internal and/or external audiences, with particular focus on investors, clients and other DFIs. | Element 4: Knowledge products generated are timely and perceived to be timely by partners. | Element 5: The MO’s knowledge products are perceived as high quality by partners. | Element 6: The MO’s knowledge products are produced in a format that supports their utility to partners.

MI 6.9 Analysis

Element 1: The WBG’s strategy includes knowledge production and management as a key priority. IFC was planning to develop a specific strategy and implementation plan. Internal audit considered knowledge management in IFC as an area for improvement.

Specifically, the audit stated “IFC 3.0 Strategy requires a more deliberate management of knowledge than in the past, but the key components necessary for an effective KM program are either not in place or not well defined, which may affect IFC’s ability to improve project quality through the sustainable sharing of practices, expertise, and lessons learned. There is not yet an efficient cross-unit flow of knowledge at IFC, which risks that necessary knowledge may not be systematically disseminated to investment and advisory
staff during the project lifecycle - and thus applied." The WBG’s Forward Look also emphasized using knowledge for greater impact.

A key priority of the WBG’s 2021 Knowledge Strategic Framework is to learn from past operations, “inform solutions to development challenges in client countries,” and to align with WBG priorities. The strategic framework is based on three pillars: “(1) strengthen systems for greater prioritization, evaluation, quality control and effective strategic outreach; (2) strengthen incentives at all levels of management and staff for enhanced emphasis on knowledge; and (3) strengthen human capital through strong recruitment, clearer career paths, and appropriate training, set out in the figure below.” Strengthening human resources for knowledge work is one of the key pillars of the strategic framework.

The WBG Knowledge Strategic Framework includes an Annex focusing on IFC, which states that for IFC, “knowledge is an asset to be used and applied in the delivery of services and products to IFC clients and partners and in the creation of IFC thought leadership which highlights lessons learned, insights and innovation emerging from [IFC] work.” According to the framework, IFC generates knowledge from three sources:

- “Insights and data generated from IFC’s operational activities, which gives IFC proprietary information from the clients, co-investors and other partners that it works with
- Original research generated by IFC staff, World Bank Staff, or by joint IFC-WB teams, often using IFC and WB generated data (enterprise surveys, client surveys, etc)
- Research and knowledge captured during IFC’s convening activities”

Additionally, the strategic framework makes clear that at IFC, "knowledge drives the internal workings of the Corporation to ensure that [its] next investment and advisory operation is better than the last because what [IFC has] learned has been folded into it." Examples of IFC knowledge products include:

- A range of short and long research pieces which allows IFC staff to turn their knowledge into tangible knowledge publications.
- Reports produced by regional departments linked to conferences focusing on issues specific to their regions.
- Equator Principles, which established common ESG standards for project finance lending from over 100 banks.
- Green Bond Principles, developed with the International Capital Market Association.
- Blended Finance Principles, which bring discipline and transparency to the growing use of concessional finance by DFIs.
- Operating Principles for Impact Management, which have been adopted by over 100 fund managers and institutions.

According to the 2021 WBG strategy, IFC was developing an IFC-specific strategy and implementation plan. As of Q4 of FY2023 a draft has been prepared but not yet presented to the IFC management team for endorsement. Internal audit (GIA) considered knowledge management (KM) an area for improvement in IFC. For example, for short-term finance (STF), GIA recommended “Knowledge Management: Management should systematically capture and share institutional knowledge and lessons learned and develop specialized training for internal staff on STF, which is IFC’s gateway and entry mechanism into IDA and FCS countries” and made forward looking recommendations related to "knowledge management, lessons learned, and training" (GIA Annual Report FY22). A 2020 audit of IFC’s KM approach “concluded that the changes being brought about by the IFC 3.0 Strategy require a more deliberate management of knowledge” and “the KM technology, tools, and systems being developed do not yet enable an efficient cross-unit flow of knowledge at IFC. This makes retrieval of knowledge across the various information repositories a time-consuming activity and relevant accumulated knowledge may not be systematically disseminated to investment and advisory staff during the project lifecycle” (GIA Annual Report FY20).

IFC had intended to create a knowledge management program by July 2020, however as of Q4 FY2023 only 55 percent of the components are complete. The new expected delivery date is December 2023.

Element 2: IFC’s knowledge products and convening activities around specific topics – focused around its areas of comparative advantage – are valued by IFC’s partners and quite effective in those areas where
IFC engages (mostly standard setting), but these are a limited number of activities with limited resources, staffing and incentives.

IFC’s FY20 client survey “reaffirm views from previous Client Survey’s and tell us that clients continue to recognize and value IFC’s global, regional and sectoral knowledge in their partnership with IFC.” (2021 Knowledge Strategic Framework)

IEG evaluations have also “noted that the strength of IFC’s convening power lies in its operational experience and investment expertise, spanning regulatory issues related to private sector development, capacity building and other technical assistance through IFC’s advisory services, and mobilisation of private capital, and implementation of IFC’s performance standards” (2021 Knowledge Strategic Framework).

IEG’s 2019 evaluation of the WBG’s convening power (see in particular Appendix B on IFC) found that IFC had tended to convene on topics close to its corporate priority areas (e.g., gender, climate change, maximizing finance for development – MFD) and has helped to set industry standards – however, the best known initiative the Equator Principles (setting environmental and social – E&S – standards) was at the beginning of the 2000s. More recent examples also include the Impact Principles, and the DFI Principles for Blended Concessional Finance. IEG identified IFC’s comparative advantages in (1) its explicit focus to engage the private sector in development in client countries(2) being part of the WBG, with access to development decision makers and vast amounts of knowledge and data; (3) IFC’s credibility within the private sector as an investor, taking financial risks and understanding the market challenges; (4) as a global institution with expansive networks in emerging markets; and (5) having high technical capacity in finance and private sector solutions.

IEG considered IFC’s contributions particularly strong in standard setting; its knowledge work was not among the most downloaded products, but partners considered it useful and high quality. IEG considered among the strengths of IFC’s approach the focus on a few products, having limited, time-bound initiatives close to its comparative advantage, decided by top management and thus having clear corporate support. IEG considered as weaknesses limited resources, staffing and incentives for convening, a relatively narrow focus of the activities and insufficient monitoring and evaluation of the effects of these activities.

Overall, WBG knowledge products are rated highly by clients (FY16-FY19) and a 2020 survey of over a thousand public sector officials found “that analytical and advisory products not only affect the direction of government policy, but also its design and implementation.” The CPF is based on previous knowledge work, including a CPSD. The 2021 knowledge strategic framework encourages "stronger management of quality-at-entry at the Concept Note stage [to] ensure projects systematically build on previous literature and have strong linkages with outside work."

Several platforms exist to disseminate/communicate the WBG’s knowledge work; "close to 700 million files, 1,200 websites, and 3,500 collaborative spaces are now technically managed on a consolidated cloud platform." However, a 2020 review found still significant gaps in the platform (e.g., “a significant number of ASA [advisory services and analytics] outputs cannot be found in any of the three main institutional repositories, and only a small fraction appears in all three” – 2021 Knowledge Strategic Framework). IEG’s 2022 Results and Performance (RAP) report noted the historical lack of ASA monitoring in the WBG and that on average only about one third of ASA outputs were reported on in completion and learning reviews (CLRs).

MOPAN survey results indicate that stakeholders are generally positive (82%) about the usefulness of IFC diagnostics, tools and publications for their work; 13% indicated that they were unsure.
MOPAN survey respondents are generally favourable (79%) regarding the contribution of IFC knowledge products to policy dialogue on private sector development within countries; 15% of respondents indicated that they didn’t know or had no opinion. Responses are somewhat more positive (84%) regarding the relevance of insights into barriers to investment and private sector development that IFC knowledge products provide.

Element 3: Knowledge products are available through several WBG/IFC databases and websites, but evaluations note that synergies between WB and IFC knowledge products need to be strengthened and that IFC often did not deliver the expected knowledge in form of additionality through advisory services in middle-income countries.

For example, Corporate Special Operations (CSO) has knowledge management (KM) team and a database of 265 projects lessons that have been published and are available for consultation. The Investment and Credit Risk Department has a core knowledge and learning program with curriculum and specialized courses. In the climate area, IFC provided thought leadership through reports and conferences, on gender has
published several reports (e.g., Moving Toward Gender Balance, Guide on Gender Smart Investing), and lessons from operations contributed to the WB’s Fragility Conflict and Violence Strategy (2020) and to publications on Generating Investments in Fragile and Conflict-Affected Areas and Impacts of COVID-19 on the Private Sector in Fragile and Conflict-Affected Situations. (2021 WB Knowledge Strategic Framework)

IFC has several active Knowledge Management initiatives:

- The IFC KM network, composed of dedicated KM resources from across IFC, is active and engaged in activities to share lessons learned and best practices.
- More than 20 colleagues have Knowledge Management in their job titles, and IFC has a KM job category, with many colleagues being recruited with KM skills.
- “Knowvember” is an annual IFC-wide knowledge-sharing program, providing a unique platform for IFC to identify, create and share critical knowledge. The forum has been running for 8 years and is a platform to disseminate knowledge through knowledge-sharing events and multimedia knowledge products, inspire innovation and dig deeper into IFC strategic priorities. Data from the 2020 sessions indicated 68 percent of attendees were HQ based.
- The “Knowbel” Awards are a WB-wide recognition program celebrating teams and individuals who leverage knowledge for better business results and incentivizes a productive knowledge culture.
- The Knowledge Flash is IFC’s KM monthly newsletter, featuring essential knowledge resources and tools relevant to all IFC staff.
- Knowledge Uve is run 6-8 times per year, as corporate-wide knowledge sharing program, using a combination of live sessions and multimedia knowledge products.
- The Smartlessons program captures first-hand, practical lessons that reduce risk, improve efficiency, promote validated practices and processes and improve performance. Past lessons were focused on FCS and Advisory.
- The Insider series includes microlearning pieces on corporate priorities for all IFC staff.
- The Knowledge hub is a centralized Sharepoint hub for knowledge tools and resources. It is a one-stop shop for linked resources, including the knowledge package, 100, blended finance, glossary, development impact, legal, Gender and Diversity and portfolio. Updated monthly.

Following creation of the Economics Vice-Presidency in IFC in 2017, the range and scope of analytical knowledge pieces to support PSD has increased, with several sector-focused knowledge notes, and snapshots and data on the power market. (2021 WB Knowledge Strategic Framework.)

Interviews also indicated that IFC puts together just-in-time knowledge packages, drawing on information available from various sources, including from project evaluations (XPSRs), in part using artificial intelligence.

IFC has also helped create a Private Sector Development Research Network (www.PSDResearchNetwork.com), IFC staff prepare research pieces, regional departments produce reports for conferences, and IFC also promotes/helps create market standards which mobilize capital for sustainable development.

IEG evaluations, while not specifically addressing IFC, found a need to strengthen synergies between the WB’s knowledge services and IFC’s advisory work (e.g., “there is scope for improving coordination between the World Bank and IFC, for example, by establishing more systematic mechanisms for inclusion of one institution in the other’s review processes—especially at the concept and design stages” (IEG Evaluation: Knowledge-Based Country Programs, 2016).

Despite these challenges, there have also been bright spots, such as the creation of country knowledge hubs, better IT services, and innovative knowledge sharing mechanisms within certain GPs” [Global Practices]. IEG’s 2022 Global Footprint Evaluation found that “in IFC, an increased decentralization raised concerns over Regional silos and the deterioration in global knowledge and sharing of global experience” and that “IFC professional staff in the field have shorter experience at IFC than their headquarters peers, and this likely reduces opportunities for junior staff in the field to learn from senior staff because of high staff turnover” (IEG, 2022, Enhancing the Effectiveness of the World Bank’s Global Footprint).
IEG found that "IFC’s corporate strategies indicate that, as country income rises, IFC will rely more on additionality types based on innovation (financial and nonfinancial) and deployment of knowledge. However, the portfolio tells a different story. IFC has not employed knowledge and innovation additionalities to a greater extent in UMICs than in LMICs." Part of the reason was that additionality related to knowledge is delivered through AS, but “advisory services actually materialized in only 57 percent of investment projects” where it had been anticipated, in part because there is no tracking system for IFC’s delivery of additionality (IEG 2023 Evaluation of IFC’s Additionality in MICs).

Many (43%) MOPAN survey respondents were unsure whether IFC tools and publications provided relevant information for clients and other private sector actors to manage the impacts of the COVID-19 pandemic; 51% of respondents had positive reactions.

Element 4: In general, available client survey data indicates that most partners are likely satisfied with the timeliness of IFC’s knowledge products and advisory support.

WBG knowledge products are rated highly by clients (FY16-FY19) and a 2020 survey of over a thousand public sector officials found "that analytical and advisory products not only affect the direction of government policy, but also its design and implementation." (2021 WBG Knowledge Strategic Framework).

Data from IFC’s client survey indicates that the majority of IFC clients are likely satisfied with the timeliness of IFC’s advisory services. In FY22, 81% of respondents were satisfied with the timeliness of IFC’s support, reflecting both investment and advisory support. Between FY18 and FY21, satisfaction levels (reflecting a weighted average across investment and advisory support), varied between 84 and 86% under a different methodology. Furthermore, in FY22, 86% agreed that AS was delivered according to an agreed schedule. Between FY18 and FY21, between 85 and 90% of clients reported being satisfied with IFC for delivering advisory serviced when it was most needed.

Element 5: IFC reports that its clients value its knowledge. Given that IFC’s KM Strategy and Implementation Plan was still being developed, it was unclear what the quality assurance processes and M&E are to ensure the quality of knowledge products.

"Results from the [IFC] FY20 Client Survey reaffirm views from previous Client Survey’s and tell us that clients continue to recognize and value IFC’s global, regional and sectoral knowledge in their partnership with IFC.” (2021 WBG Strategic Framework for Knowledge)

We are not aware of systematic feedback on IFC’s knowledge products, and insufficient focus on monitoring and evaluation was raised in IEG evaluations (e.g., IEG 2019 Evaluation of WBG’s Global Convening) The 2019 Evaluation of Knowledge Flow and Collaboration found that “concerns with the quality assurance process for operations and ASA products persist” and “Quality assurance processes need enhancement”). The 2021 Strategic Framework for Knowledge included actions to improve quality assurance processes. However, since both focused on the WB, and since IFC was still working on approving its Knowledge Management Strategy and then developing the related Implementation Plan, it is difficult to assess the
status in IFC. See however the areas for improvement identified in IFC’s KM-approach by internal audit (GIA – see Element 1).

Element 6: Knowledge products are available through several IFC databases and websites, but it is unclear to what extent they are used. Survey respondents had overall positive responses on IFC employing the right mix of finance and advice, but lower-than-average responses to questions about IFC’s knowledge sharing with peer organization and in the context of the COVID-response (still 85% favourable).

IFC produces EMCompass notes (e.g., 12 in FY22, 24 in FY21) which are short knowledge notes written by IFC staff to share insights and learning with clients, co-investors and other external stakeholders. Launched in 2016, the 100th note will be published shortly. Recent themes include the impact of new technologies on different sectors, and the impact of COVID on the private sector. (2021 WBG, Knowledge Strategic Framework).

IFC also produces podcasts and disseminates knowledge through social media apps (Twitter and Instagram). However, the utilization of the knowledge products is unclear. The 2021 Strategic Framework for Knowledge reports “However, a recurring theme in the consultations for this report is that these incentives could be strengthened, as staff regularly report difficulty in accessing knowledge that already exists in the institution.”

Overall, respondents were generally positive (81% favourable) regarding the ease of use of IFC diagnostics, tools, and publications.

Q5 [13] IFC’s diagnostics, tools and publications are provided in a format that makes them easy to use.

Of the respondents to the MOPAN survey results, 91% responded favourably to “IFC provides an appropriate mix of technical advice, financing and knowledge to address key development challenges” and 73% thought that “IFC coordinates with peer organizations to share knowledge, promote coherence and avoid fragmentation” (see element 6.5.2). MOPAN survey results also indicate that 51% of stakeholders responded favourably to “IFC has provided relevant knowledge and thought leadership in the context of the COVID-19 response”; 41% indicated that they didn’t know.

Q4[05] IFC provides an appropriate mix of technical advice, financing and knowledge to address key development challenges [in COUNTRY].
MI 6.9 Evidence confidence

**Performance Area: Performance Management**

*Systems geared to managing and accounting for development and humanitarian results and the use of performance information, including evaluation and lesson-learning*

**KPI 7: Strong and transparent results focus, explicitly geared towards function.**

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<tr>
<th>Satisfactory</th>
<th>KPI score</th>
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<td><strong>IFC</strong> demonstrates a clear organisational commitment to results-based management (RBM) and uses results information and other evidence to guide decision-making. IFC’s corporate scorecard has been revised over the course of the assessment period to better align with changing strategic priorities and maximise its use and an accountability tool. IFC’s CIP commitments and corporate scorecard indicators are reflected in organisational strategies but tend to be input and output-driven rather than reflecting ex-post contribution to development results. New tools such as AIMM support overall M&amp;E quality and help establish linkages between projects, sector strategies and corporate results frameworks. Investments are monitored quarterly with respect to performance and risk. Underperformance is identified and addressed, including through specialised groups such as CSO which harvest and curate lessons as part of a mandatory process. Integration of AIMM into monitoring and supervision further contributes to accountability for development results. Continued efforts to enhance the coherence between AIMM and Expanded Supervision Reports (XPSRs) are an additional opportunity to support the uptake of lessons and strengthen feedback loops.</td>
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**MI 7.1: Leadership ensures application of an organisation-wide RBM approach.**

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<th>Score</th>
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<td><strong>Overall MI rating</strong></td>
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<td><strong>Overall MI score</strong></td>
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<tr>
<td><strong>Element 1:</strong> Corporate commitment to a result culture is made clear in strategic planning documents.</td>
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<tr>
<td><strong>Element 2:</strong> Clear requirements/incentives in place for the use of an RBM approach in planning and programming.</td>
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<tr>
<td><strong>Element 3:</strong> Guidance for setting results targets and developing indicators is clear and accessible to all staff.</td>
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<td><strong>Element 4:</strong> Tools and methods for measuring and managing results are available.</td>
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<tr>
<td><strong>Element 5:</strong> Adequate resources are allocated to the RBM system.</td>
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<td><strong>Element 6:</strong> All relevant staff are trained in RBM approaches and method.</td>
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**MI 7.1 Analysis**

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<td><strong>Element 1:</strong> IFC has made commitments regarding a results culture as part of the Forward Look, the IBRD and IFC capital increase package (CIP) and IDA18 implementation. IFC’s Scorecard is an important tool to align operations with strategy, thereby facilitating the delivery of results.</td>
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The WBG (including IFC and MIGA) has a corporate scorecard, complemented by an individual scorecard for each institution. The scorecard provides an overarching view of results and performance for the Executive Board, Management and the general public across the institution through three tiers. The first tier reflects
the overall development context and progress toward the twin goals over time in strategic areas such as “sustainable and inclusive growth” and “resilience and sustainability”.

The second tier reflects the results delivered through WBG operations, reflecting the WBG’s contribution to the changing development context. The final tier reflects the WB’s operational and organisational effectiveness, including the share of operations achieving satisfactory development outcomes, share of climate-related financing and private direct mobilisation, client satisfaction and staff feedback on certain aspects (e.g., WBG collaboration, staff engagement).

IFC has a Corporate Scorecard which tracks progress against its policy and management targets. IFC considers its Scorecard as “an important tool to align strategy with operations, thereby facilitating the delivery of results” (IFC SBO FY18-20). IFC’s specific performance and results are only reflected in a few lines of the widely published WBG corporate scorecard, but IFC’s contributions are often not specifically identified. IFC’s contribution to the WBG Scorecard is not separately identified.

IFC’s specific detailed corporate scorecard was significantly revised in FY19 to operationalise IFC 3.0 and reflect CIP-commitments introduced 2018. Part of the rationale in the design of the scorecard was to reflect both performance dimensions and performance drivers under three buckets: (i) development impact; (ii) financial sustainability; (iii) Delivery for Clients / Programme Delivery; and (iv) efficiency and delivery; and (v) managing talent. The scorecard is treated as a living document such that indicators are added and dropped, in discussion with the Board, as targets are achieved and new priorities emerge. In order to ensure the scorecard remains streamlined, an approach has been implemented to require that, in order for an indicator to be added, another indicator should be dropped.

One of the principles underlying the revision was that publishing the scorecard would contribute to a collective vision and incentivise staff performance. The IFC Scorecard used to be reported on in IFC’s Annual Report but more recently in the Strategic and Business Outlook (SBO) or Budget Papers (BPs). Although the Scorecard is typically reporting in SBOs and BPs and, previously, Annual Reports, reporting on actual performance against the target for that year is less consistent. Although changes in indicators over time was envisioned as part of the Scorecard revision, these changes have made it more challenging to report on performance in a consistent way over the assessment period. (Source: Various IFC SBOs, BPs and Annual Reports).

**Element 2: IFC’s Scorecard is used to monitor and report on results and achievements are tied to departmental incentives.** The scorecard primarily considers output level indicators, but also some outcome and results measures. Scorecard indicators have influence investment decision-making and process reform, supporting RBM.

IFC’s Corporate Scorecard is positioned as a key strategic management tool. “The IFC Scorecard cascades down to departments in order to drive accountability and link with incentives.” (IFC SBO FY18-20). The achievement of scorecard results is cascaded to vice-presidential and departmental units and associated with budget allocations and departmental awards (see Using a Corporate Scorecard to Drive Greater Investment Impact, 2021). Awards have traditionally been focused on development impact, financial sustainability and effective client delivery (SBO FY17-19) and over the review period specifically on upstream work, creating markets, delivery in IDA, LIC and FCS countries and collaboration across the WBG, e.g., for the Cascade approach (SBOs FY20-22, FY21-23, FY22-24).

This change in approach was intended to maximise the value of the scorecard as a performance driver and incentive. Furthermore, an approach was introduced to incentivise IFC staff to think beyond annual commitment volumes, reflecting a three-year planning and target horizon and including indicators linked to development impact and investments in FCS to focus on “how” the work is implemented, such that the “means are as important as the ends.” (What Gets Measured Gets Done: Using a Corporate Scorecard to Drive Greater Investment Impact (2021)).

As noted above, in 2017, IFC developed an ex-ante impact assessment tool, the Anticipated Impact Measurement and Monitoring (AIMM) system. AIMM is carried out starting at the project appraisal and allows for articulating the expected outcomes at the project and at the market level, the potential "intensity"
of the project contribution to fill the identified market gap and to improve the market stage of development. The AIMM system also allows development impact considerations to be weighed against a range of strategic objectives, including volume, financial return, risk, and thematic priorities. Through its sector frameworks, AIMM also contributes to ensuring that standard indicators are applied to assess development outcomes and market creation potential. The application of AIMM at project appraisal — with a target of an average score exceeding 50 — is expected to improve IFC’s ability to select and design high development impact / high financial return projects and link ex-ante assessments with the learning and accountability function. AIMM for advisory services (AS) was piloted and reported on in FY20, but by FY21 IFC had reverted to report on development effectiveness scores for AS from independent evaluations. (IFC Annual Reports FY20 and FY21).

In terms of incentivising an RBM approach to planning and programming that targets the achievement of development results, IFC replaced its previous IFC Development Goals (e.g., focusing on people reached with infrastructure to health and education services), which included targets, with AIMM scores. The introduction of AIMM was intended to set a higher bar for transaction quality, incentivise focus on development results and capture IFC’s strategic focus on market creation (discussed further in 7.1.3, below). Ex-ante scores reflecting the likely development outcome of new investments have been incorporated in the corporate scorecard. Through implementing a portfolio approach that considers financial considerations (e.g., through RAROC), AIMM scores directly influence investment decision-making. In FY20, IFC started to report on the AIMM scores for the portfolio (during implementation), which is meant to provide ex-post reporting. However, it will take more time to establish to what extent ex-ante AIMM scores are a good predictor of ex-post AIMM scores and development outcomes, thereby contributing to feedback loops.

Many of the indicators in the current IFC Scorecard are input measures (e.g., commitments – overall and for different strategic priorities, like IDA-FCS, climate, gender, etc.). Others relate to expected results, e.g., the Anticipated Impact Measurement and Monitoring (AIMM) score for investments and advisory services. Ex-post results measures include: (i) portfolio AIMM scores (to a lesser extent); ii) IEG ratings for satisfactory development outcomes of investment operations; and (iii) IEG ratings for Advisory Services successful development effectiveness. The percentage of projects rated as satisfactory are reflected in the scorecard, with more detailed analysis presented in IEG’s Results and Performance Reports.

As noted above, IEG ratings have been a driver of management decision-making in the past, including through IEG-IFC deep dive analyses of development outcomes and development effectiveness. Poor performance for both investments and advisory services in 2017/2018 led to a joint deep dive analysis by IEG and IFC Management and — over time — significant improvements in results, initially for AS (which has shorter implementation timelines) and ultimately also for investments. This indicates that there is a focus on results, since IFC took several measures to improve work quality at the front end and during supervision, with the goal to ultimately improve results.

**Element 3: AIMM sector frameworks support the identification of results targets and indicators using publicly available sector frameworks and methodology available to all staff. Whereas IFC objectives and activities are often not prominent in CPF results frameworks, available guidance for IFC Country Strategies supports the identification of strategic priorities and objectives, linked to enabling reforms, activities and potential investment.**

In the 2022 WBG Management Action Record, IFC Management elaborated on how it identifies results targets and measures performance: “IFC continues to work to strengthen outcome orientation at the country level, including through market creation and climate approaches.” … IFC supports country-level results through WBG CPSDs and their associated deep dives, as well as IFC country strategies, which feed into the WBG Country Engagement Cycle. IFC also utilizes AIMM to better define, measure, and monitor the development impact of each project. While AIMM was not designed for country-level results aggregation, it captures project and market outcomes, which refer to a project’s potential for generating systemic, sector-wide changes that enhance market competitiveness, resilience, integration, inclusiveness, and sustainability.”
AIMM:

As noted above IFC is using AIMM as its primary system to guide operations to maximize its development impact (IFC Annual Report FY22). The main AIMM page lists (as of April 22, 2023) 30 sector frameworks (the sector framework page says over 24 and lists 21) containing 200 gap indicators, 600 intensity indicators, and over 1400 projects scored. Gap indicators identify the size of the development gap and intensity indicators how much the project contributes to closing them. AIMM considers project outcomes (stakeholder effects, economy-wide effects and environmental effects) as well as market outcomes (competitiveness, resilience, integration, inclusiveness and sustainability). In this way, AIMM contributes to ensuring that the indicators used to examine ex-ante and ex-post development results are consistent and relevant.

A projects’ impact potential is assessed considering the size of the development gap and the intensity, i.e., by how much the project aims to fill the gap. Project impact potential and market impact potential are each multiplied by the respective likelihood, resulting in an AIMM score between 10 and 100. The sector frameworks and AIMM methodology, available to all staff, describe in detail the factors that are considered in scoring. AIMM score as are also externally assured, indicating that the methodology and process are applied systematically. However, it is not clear how the final AIMM score relates to relative expected development impact across projects. For example, for SME operations (a very prevalent form of IFC financing), project outcomes include “Improve gender workforce participation and managerial/board representation” and “Efficacy of GHG emission reductions (for climate SME projects)”, but do not specify how exactly they enter the scoring (e.g., what a marginal, meaningful, significant or highly significant contribution is). Interviews revealed that while there is strong focus on the score, one cannot actually say that a project with a higher score in one sector is “more developmental” than a project with a lower score in another sector, since the scoring across sectors is not comparable. Even within a sector one needs to be cautious with comparing ratings over time.

WBG Country Partnership Frameworks:

CPFs are required to illustrate the results chain between the WBG’s activities in a country supporting CPF development objectives that contribute to the achievement of High-Level Objectives (HLOs), reflecting longer-term, sustainable development results. Development objectives are derived from the evidence-based Systematic Country Diagnostic (SCD). Each CPF contains a results matrix, including a summary of the results chain, indicators associated with each CPF objective and data sources. The CPF also describes any specific arrangements for monitoring and evaluation (M&E), including third party monitoring or social audits, and describes the borrower’s M&E capacity and statistical systems and the monitoring plan (how the country team and borrower will review progress during implementation). While specific guidance is available to inform CPF results frameworks, indicators and reflecting IFC investments and objectives are not always reflected. IEG found that, among a sample of CPFs, “IFC and MIGA were integrated into 40 percent of the CPF objectives, with 39 percent as contributors to Bank Group–wide objectives, and 1 percent as a stand-alone IFC/MIGA objective” (IEG Outcome Orientation Evaluation, 2020).

IFC Country Strategies:

Existing templates and guidance indicate that IFC Country strategies are not required to contain a traditional results matrix. However, country strategies present financial performance indicators for the portfolio as well as a stocktake of progress against CIP priorities. Reflecting the more opportunistic nature of private sector operations, IFC Country Strategies identify three top-level strategic objectives of IFC’s engagement, delineated into strategic priorities (desired changes to contribute to within the country) and a linkage to specific activities, illustrating a vertical logic. IFC Country Strategies and results are reviewed and adjusted every 6 months.

Furthermore, IFC Country Strategies identify enabling reforms as “if-then” conditions, identifying implications of implementing said reforms for potential investment. The management response indicates that IFC’s “Country Strategy articulates clear investment and development impact scenarios, captured by “if-then” matrixes, which lay out critical policy barriers where reform (and potentially World Bank
engagement) could unlock investment opportunities” and “support increasing focus on country outcomes” (IEG Outcome Orientation Evaluation – Management Response).

Element 4: IFC has the AIMM system as its main results measurement tool. AIMM scores are externally validated by an assurance provider.

Investment Operations:

IFC uses AIMM as its main tool for ex-ante results measurement and has also started to use it for supervision, providing portfolio AIMM scores. At evaluation, IFC uses the XPSR (Expanded Project Supervision Report), which is carried out as self-evaluation and subsequently validated by the Independent Evaluation Group (IEG). The XPSR has been designed in line with the Good Practice Standards for Private Sector Evaluation (GPS) developed by the Evaluation Cooperation Group (ECG) of Multilateral Development Banks.

Frameworks and indicators:

New interventions are assessed through AIMM through the application of sector frameworks. Staff in the development impact department assign the AIMM score for each project, using general and sector-specific AIMM guidelines. There is a general guidance note on rating judgements, but details of the scoring methodology (or how it is applied to specific sectors) are not public. AIMM data are externally assured to confirm that appropriate internal quality assurance processes are in place and that the AIMM-methodology is applied systematically (IFC Annual Report FY22, Independent Assurance Statement).

Guidance for AIMM indicates that every development claim to be scored must have an outcome indicator with target and timeline, including a baseline (Overview of Portfolio AIMM Monitoring, July 2021).

Advisory Services:

IFC has had a well-developed system for evaluating advisory services (AS) since 2008. There has also been a brief attempt to develop AIMM for Advisory Services, to better articulate their development results, reported in IFC Annual Report FY20. IFC has consistently used the evaluation results in its scorecard for learning and accountability, for example to analyse reasons for weakening performance and take action (see element 2). The strong ownership of management for the AS evaluation system was also highlighted in the External Review of IEG (2022): “The positive experiences of constructive engagement currently made in evaluating IFC advisory services can be an example and inspiration.” and “The positive collaboration in the evaluation of advisory services ... and the successful coordination of learning engagements”.

Element 5: IFC’s corporate results-based management and monitoring system is supported by the Development Impact Measurement Department (CDI) as well as many other departments supporting different aspects (e.g., E&S, gender).

Interviews suggest that CDI has 75 full-time staff (16 in country offices) and 12 Extended-Term Contracts (ETCs). This has followed having a loose network of country economists without reporting lines, but there has been centralization and frequent reorganizations. CDI manages their workload but does feel stretched due to an ever-growing mandate, including identifying AIMM scores at approval and for the portfolio as well as self-evaluation of IFC’s upstream work and the tracking of reach indicators. CDI is looking into introducing efficiencies and streamlining their work, especially in regard to AIMM.

However, responsibilities for results measurement are also distributed across other departments, and it is difficult to put a precise number on overall staffing. For example, E&S used to be a single department, reporting to legal. In 2019, it was split into an E&S Policy and Risk Department (reporting directly to IFC’s Managing Director) and the ESG (Environmental, Social and Governance) Advice and Solutions Departments, reporting to the Vice President (VP) for Cross-Cutting Solutions. The two departments are responsible for different aspects of IFC’s E&S Management System. The E&S Policy and Risk Department is responsible for IFC’s Sustainability Framework (and access to information), risk management procedures, stakeholder grievance response and knowledge and learning. Most E&S specialists (about 200) are embedded in operations and 167 are in ESG and about 30 in gender (20 of them in country offices). After the
reorganization, there was a significant increase in E&S staffing. The gender specialists have increasingly devolved the results tracking to CDI and focus on project implementation. Some interviewees remarked that splitting the responsibilities of these two departments has introduced inefficiencies.

Responsibilities for GHG accounting moved from the ESG Department to the Climate Business Department (CBD) effective September 2022. CBD is responsible for climate project tagging and implementing the alignment with the Paris Agreement, with the plan to eventually help build capacity in teams (especially E&S specialists) to mainstream assessments (IFC Annual Report FY22). The Development Impact team (in charge of AIMM) applies shadow carbon pricing to projects with emissions higher than 25,000 tons of carbon dioxide equivalent per year.

There are also other departments responsible for different aspects of results measurement and reporting, such as the Corporate Strategy Department (which is in charge of IFC’s Corporate Scorecard).

Element 6: IFC has a robust AIMM training program implemented as part of its core curriculum.

In FY2023 alone, IFC delivered trainings to between 450 and 500 staff members on the general AIMM framework (this excludes specialized trainings at the sector level for investment staff, training on AIMM for advisory services, and training on special topics on AIMM ratings for environmental and sustainability claims). The various trainings on AIMM include: (i) in-person training programming at induction; (ii) AIMM module as part of risk training; (iii) AIMM module for investment officers. A training program for managers is also being rolled out and an online training program is being developed.

MI 7.1 Evidence confidence

High Confidence

MI 7.2: Corporate strategies, including country strategies, based on a sound RBM focus and logic.

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<th>Score</th>
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<tbody>
<tr>
<td>Overall MI rating</td>
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<tr>
<td>Overall MI score</td>
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<tr>
<td>Element 1: Organisation-wide plans and strategies include results frameworks.</td>
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<tr>
<td>Element 2: Clear linkages exist between the different layers of the results framework, from project to country and corporate level.</td>
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<tr>
<td>Element 3: An annual report on performance is discussed with the governing bodies.</td>
</tr>
<tr>
<td>Element 4: Corporate strategies are updated regularly.</td>
</tr>
<tr>
<td>Element 5: The annual corporate reports show progress over time and notes areas of strong performance as well as deviations between planned and actual results.</td>
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</table>

MI 7.2 Analysis

Element 1: At the highest level for IFC, there is a strategy and business outlook completed every year, with a rolling three-year time horizon, which reflect IFC’s Corporate Scorecard. Strategies for cross-cutting themes have results frameworks, but these often pertain to process-related issues rather than development results.

As noted above, IFC produces annual SBOs covering a rolling three-year time horizon, which typically reflect IFC’s Corporate Scorecard.

The World Bank Group’s organisation-wide strategies guide the activities of the World Bank, IFC and MIGA. These strategies tend to reflect cross-cutting themes, such as Gender and FCV, or the Climate Change Action Plan (CCAP). These strategies do include results frameworks, but these tend to include targets and activities that speak to process-related issues, such as the provision and uptake of tools to guide operations and targets for how different sector issues and cross-cutting themes are addressed through operations. These targets are often linked to those reflected in the Corporate Scorecard. Strategies usually also have mid-term reviews and independent evaluations by IEG.

A selection of cross-cutting strategies are addressed below:

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<th>Source document</th>
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**Gender strategy** (2016-2023):

The strategy has a results framework. For IFC, the most important activities and outcomes included developing: Notes on good practices to include gender in operations (i.e. IFC’s gender strategy implementation plans); an e-learning course on gender gaps and business benefits (to be offered to all IFC operational staff), hosting training events in a variety of sectors across all IFC industries (manufacturing, agribusiness and services; financial institutions group; infrastructure and natural resources; disruptive technology and funds); monitoring frameworks for results, with guidelines and implementation, enabling results reporting. These indicators do not reflect IFC’s CIP commitments pertaining to gender given timing, but the activities and implementation plan are intended to support their delivery.

Looking forward, IFC was a member of the core team for developing the WBG Gender Strategy for 2024-2030, currently under consultation. A key focus of the new strategy is to enhance the ability of the WBG, including IFC, to report on outcomes achievement for gender flagged and tagged projects. This is not considered in the scoring of this element as it is outside the review period. To date, this new strategy does not contain a results framework.

**Climate change action plan** (2021-2025):

While the action plan does not have a results framework per se, there are several clear targets for the WBG, including IFC. The most important targets and indicators for IFC were to:

(i) align 85% of all Board-approved real sector operations with the Paris Agreement starting July 1, 2023 and 100% by July 1, 2025;
(ii) increase climate finance to 35% of IFC’s commitments on average between 2021 and 2025; and
(iii) screen all investments for physical climate risk by end-FY23.

These indicators reflect IFC CIP Commitments pertaining to climate. The WBG also committed to “enhance our results orientation by developing metrics, where relevant, that better capture our climate impact, including as measured through GHG emissions reduction”.

**Strategy for Fragility, Conflict and Violence (FCV, 2020-2025):**

This strategy did not contain a results framework, but “detailed measures to operationalize” the WBG FCV strategy. The IFC-related commitments included:

(i) streamline IFC processes to more nimbly address FCV challenges (including the processing of small loans);
(ii) scale up IFC’s special advisory funding and implementation facilities, including IFC’s Creating Markets Advisory Window, FCS Africa, and an expanded Environmental, Social and Governance (ESG) advisory program, to increase support for market development and capacity building;
(iii) address FCV needs in MICs not covered by current facilities; and
(iv) Leverage WB staff in countries where IFC lacks on-the-ground presence by providing training and support to WB managers and staff who fulfill IFC functions in these contexts.

As with the WBG Gender strategy, these commitments do not reflect the IFC’s CIP commitments related to fragility exactly but are intended to support its achievement.

**Element 2:** IFC’s corporate commitments reflected in the corporate scorecard are cascaded to the VPU, country and project level. IFC cannot yet report on aggregated development results at the sector level but may have the capacity to do so as AIMM matures.

Key aspects of IFC’s corporate scorecard are cascaded to create coherent linkages at the VPU and country level. IFC’s CIP commitments and targets are cascaded down to individual VPUs, linked to budgetary allocations. IFC Country Strategies reflect upon progress toward CIP commitments, including key priorities and opportunities for climate business.
At the project level, AIMM scores are tracked at the portfolio and country level, both ex-ante and ex-post (portfolio) and are wound up to the corporate level. Within AIMM, coherent linkages between sectors and projects and supported through the application of sector frameworks which articulate IFC’s development thesis is a specific sector, including standard indicators. Finally, project self-evaluations and IEG validations are wound up to the corporate scorecard to provide an overall picture of the extent to which IFC is achieving targeted development outcomes.

A missing link in the results architecture is the ability to aggregate specific development results achieved across sectors; however, this may be possible in future as implementation of the AIMM system further matures. IFC stakeholders confirmed that aggregating of AIMM data to reflect on the achievement of development results is an eventual target for the ongoing roll-out of AIMM.

IFC used to track the IFC Development Goals (IDGs), which reflected the aggregated number of beneficiaries reached by different initiatives. Although these are still tracked to feed into Tier 2 of the WBG Scorecard, they are no longer reported as part of IFC’s scorecard and IFC’s contribution is not reported publicly. However, the IDGs do not necessarily reflect development results and no longer reflect IFC’s strategic priorities under IFC 3.0 or its CIP commitments.

**Element 3: IFC makes a number of annual reporting documents that are discussed with the governing bodies available in the public domain which provide a comprehensive picture of IFC’s priorities, activities, financial results and performance.**

IFC produces a number of annual reports discussed with its governing bodies and released publicly. These include:

- **Annual SBOs** reflecting strategic priorities, resource allocation and planning over a three-year timeframe, anchored by the IFC Corporate Scorecard;
- **Annual Budget documents** that operationalise the SBOs, anchored in the IFC Corporate Scorecard;
- **Annual financial reports**, which reflect IFC’s financial performance and are externally assured;
- **Annual reports**, which provide an overview of IFC’s financial performance and, investment volumes and results.

Across these annual reports, IFC provides comprehensive data on its strategy, investment activities, financial performance and delivery against corporate scorecard targets, including for development outcomes.

These are complemented by comprehensive quarterly reporting to the Board on IFC’s operations, including progress achieved against scorecard indicators and internal KPIs, including:

- **Quarterly Budget and Human Resources Reports**, which report on budget performance, global footprint, facilities management and staffing trends (including diversity, equity and inclusion);
- **Quarterly Operations Reports**, which provide a picture of overall commitments, pipeline (including upstream), blended finance, mobilisation, investment portfolio performance, portfolio AIMM reporting and trends and a full progress update on the corporate scorecard; and
- **Quarterly Portfolio and Risk Reports**, which provide an overview of exposure risks, macro-level risks, credit risk, profitability, special operations, treasury capital utilisation and non-financial risks (Environmental and Social, IDD).

Across these reports, the governing bodies are kept well apprised of IFC’s performance.

However, the information provided in any publicly available source is not always complete, including having clear picture of performance against targets over time. While comprehensive information is provided across sources, this fragmentation can make it more difficult for external stakeholders to access. IFC stakeholders have noted that different sources of information that used to be published as part of the Annual Portfolio Performance Report are still made available publicly, but in different sources, including the SBO and Annual Reports.

**Element 4: The corporate strategic vision is updated on an as-needed basis; however, IFC produces a Strategy and Business Outlook (SBO) annually with a three-year timeframe, which contains annual**
targets. Cross-cutting strategies, including the Gender Strategy, FCV Strategy and Climate Change Action Plan have defined timeframes.

Institutional strategic vision documents, such as the WBG Strategy, Forward Look and IFC 3.0 do not have a specified timeframe and are updated on an as-needed basis. Similarly, CIP commitments are negotiated on an as-needed basis around capital increase processes.

IFC’s SBOs, which operationalise the strategic vision are produced annually for a three-year rolling timeframe. These documents report on performance against the corporate scorecard and expectations over the forecast period. Changes to the corporate scorecard will be reflected in the SBO and discussed with the Board, as needed. These documents report on performance against the corporate scorecard and may reflect changes to the corporate scorecard, as discussed with the Board, as needed.

Cross-cutting institutional strategies, including the WBG Gender Strategy, FCV Strategy and Climate Change Action Plan each have defined timeframes. These strategies have been updated consistently: For example, the previous Climate Change Action Plan was implemented from 2016-2020. The WBG Gender Strategy (2016-2023) has already been updated for the period of 2024-2030.

Element 5: IFC’s SBOs and Budget Papers, produced annually, typically report on progress achieved against corporate scorecard targets. Both SBOs and Budget Papers are forward looking and provide a strategic and business outlook as well as resourcing over a three-year time horizon. Deviations have previously triggered deep dive reviews to identify and address drivers of underperformance.

The Strategic Business Outlook (SBO) and/or budget paper (BP) report on the IFC corporate scorecard. Annual updates are published, which touch on key performance indicators and progress. Whereas these documents generally report on IFC’s performance against scorecard targets over time, there have been several instances where actual performance was not reported consistently against targets.

As discussed in MI 7.1, IFC revamped its corporate scorecard in 2019 to operationalise IFC 3.0 and its CIP commitments. A comprehensive explanation of the changes made are described in the 2020-22 SBO. IFC Stakeholders indicate that there have been some limited changes to the scorecard since that time, involving discussion with the Executive Board. A relevant example includes the re-basing of AIMM scores to a range of 0-100 from the original range of 0-160 and the inclusion of portfolio AIMM scores in FY20 as AIMM process information improved.

IFC’s business is such that its performance is linked heavily to market developments. Particularly over the course of the pandemic, there have been instances where specific targets have not been met (e.g., Mandate 2 Disbursement, Budget Coverage Ratio (BCR), equity returns against to MSCI, among others) or where the volatile context and/or lack of information has made it difficult to set explicit targets (portfolio AIMM scores). SBOs sometimes provide an explanation of drivers of underperformance and often projections for the future, including the impact of the pandemic on LIC and FCS markets. A good example is that of the BCR, which future projections indicating a likely return to IFC’s threshold given the available pipeline of new investments.

As noted in KPI 1, above, there are instances where deviations against targets over time have triggered deep-dive reviews to identify and address drivers, including for development outcomes and development effectiveness (2018) and, most recently, development outcomes in FCS (ongoing).

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<tr>
<th>MI 7.2 Evidence confidence</th>
<th>Medium Confidence</th>
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<tr>
<th>MI 7.3: Results targets set on a foundation of sound evidence base and logic.</th>
<th>Score</th>
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<tbody>
<tr>
<td>Overall MI rating</td>
<td>Satisfactory</td>
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<td>Overall MI score</td>
<td>3.00</td>
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Element 1: Targets and indicators are adequate to capture causal pathways between interventions and the outcomes that contribute to higher order objectives.

Element 2: Indicators are relevant to expected results to enable the measurement of the degree of goal achievement.

Element 3: Development of baselines are mandatory for new interventions.

Element 4: Results targets are regularly reviewed and adjusted when needed.

Element 5: Results targets are set through a process that includes consultation with beneficiaries.

**MI 7.3 Analysis**

<table>
<thead>
<tr>
<th>Element 1: AIMM helps ensure projects demonstrate a clear vertical logic from activities to project and market outcomes. Outcome pathways also identify linkages to higher-level outcomes at the sector level. CPF results frameworks identify causal pathways, but the integration of IFC’s activities is sometimes inconsistent. Project-level (see also 7.1 and 7.2):</th>
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<tbody>
<tr>
<td>In 2017, IFC developed an ex-ante impact assessment tool, the Anticipated Impact Measurement and Monitoring (AIMM) system. AIMM is carried out at the project appraisal level and supports articulation of expected outcomes at the project and at the market level and the potential &quot;intensity&quot; of the project contribution to fill the identified market gap and to improve the market stage of development. The AIMM system allows development impact considerations to be weighed against a range of strategic objectives, including volume, financial return, risk, and thematic priorities. The application of the AIMM at project appraisal is expected to improve IFC’s ability to select and design high development impact / high financial return projects and link ex-ante assessments with the learning and accountability function.</td>
</tr>
<tr>
<td>In addition to the general AIMM framework, individual sector frameworks identify IFC’s development impact thesis in different sectors, applying a clear vertical logic that links project and market outcomes to development gaps. Outcomes need to be supported by at least one indicator drawn from the sector frameworks. (see for example: SME finance, power, both March 2019). Outcome measures identified through AIMM support the identification of a causal pathway to achieving higher-level outcomes at the sector level.</td>
</tr>
<tr>
<td>Country-level (see also 7.1 and 7.2):</td>
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<tr>
<td>Country Partnership Framework (CPF) Documents are required to include a theory of change that describes the result pathways for achieving the program objectives, contributing to High-Level Objectives linked to borrower countries’ national development plans and the SDGs. CPFs contribute to identifying credible and evidence-based causal pathways for addressing development gaps through private sector interventions and opportunities to scale up private sector interventions through policy reforms.</td>
</tr>
<tr>
<td>CPFs include results frameworks with indicators, baseline data, and targets that are monitored. Intervention designs, which are intended to achieve CPF priorities include expected outputs and outcomes and the related specific indicators, baseline values, and targets. However, as noted previously, the extent to which CPF results frameworks reflect IFC activities is inconsistent.</td>
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<tr>
<td>IFC Country Strategies do not contain results frameworks in the same way that CPFs do. Of the four IFC-CSs reviewed (Bangladesh, Kenya, Senegal, and Serbia), only two included development results expectations. However, they do reflect the implications of priority policy reforms on potential investment activities. Furthermore, targeted investment activities are linked to strategic priorities for the country and progress against CIP commitments.</td>
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<tr>
<td>MOPAN survey results: indicate that stakeholders are mostly favourable (83%) regarding the statement “IFC identifies credible projections for development outcomes based on evidence and in consultation with key stakeholders, including host governments, peer organizations, civil society and project sponsors.”</td>
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<td>201, 237, 348, 409</td>
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Element 2: Indicators included in AIMM frameworks appear to be relevant to the achievement of project and market outcomes. However, market outcome and market creation indicators are likely to face challenges of attribution in the context of individual projects. At the country level, although guidance is available, the quality of indicators in results frameworks is an ongoing challenge.

At the project level, a limited review of the indicators AIMM used in sector frameworks shows that they are relevant and appropriate to measure goal achievement, albeit some of the market creation indicators may be difficult to measure or attribute to specific operations.

Project-level:

A subset of AIMM sector frameworks were reviewed to examine the relevance of project-level indicators to measure contribution to project and market outcomes. The indicators identified in the reviewed frameworks are relevant to project outcomes across each sector. Market outcome and market creation indicators, although relevant, will likely be difficult to measure and determine attribution in the context of a single project without targeted evaluations. However, aggregation across projects as the implementation of AIMM matures might yield valuable insights.

Indicators identified in the SME-finance (2019) sector framework appear relevant. Project outcome indicators, address access (volume and number of SMEs, as well as introduction of alternative delivery channels), affordability (change in loan terms), quality (non-financial services and expansion of financial services). The effects on value added, employment and efficacy of GHG emission reductions will likely be difficult to measure without special evaluations. Market-outcome indicators are related to competitiveness, resilience integration and inclusiveness appear also appear to broadly go in the right direction, even if several of the indicators are likely to be difficult to measure and/or so far removed from a project that attribution becomes difficult (e.g., decline in systemic asset quality risk, market-wide adoption of inclusive business models or reach to underserved SMEs).

Indicators identified in the Power (2019) sector framework are relevant Project outcome indicators related to access (energy delivered, new users reached), quality (power outages – number and length; distribution losses) and affordability (average end-user tariff and cost of generation) and GHG emission reductions appear appropriate and reasonably easy to measure. Economy-wide effects (e.g., value added, indirect and induced employment) will likely be difficult to measure reliably at the project level without special evaluations. Market creation indicators related are related to competitiveness, resilience, integration, inclusiveness and sustainability, but may face some issues of measurability and attribution in application (e.g., effect on financial sustainability of the energy sector).
Indicators identified in the Manufacturing (2019) sector framework are relevant. Indicators for stakeholder effects include: customer access and affordability; quality and effectiveness; and effects on suppliers, employees, the community and government, as well as environmental effects (GHG emission reductions and energy and water use per unit of production). For some indicators (e.g., price changes) it will likely be difficult to fully attribute them to the project. Effects on the economy (e.g., value added, employment, net foreign exchange earned) are likely to be difficult to assess without special evaluations. Some of the market creation indicators are likely to be difficult to measure or attribute to a single project (e.g., improving access or wide-spread opportunities for diverse groups).

Country-level

Guidance is provided for the development of results frameworks for Country Partnership Frameworks (CPFs). Guidance specifies that indicators should be SMART (Specific, Measurable, Adequate, Reliable and Targeted). Feedback on results frameworks is provided by Task Team members, reviewers and OPCS and is discussed during decision meetings.

The quality of monitoring and evaluation is reflected in ICRs and CLRs following the closure of individual operations and CPFs. Ratings are subsequently validated by IEG. The quality of monitoring and evaluation for CPFs was identified as an important challenge in the 2022 IEG RAP (Results and Performance Report), particularly with respect to the quality of indicators. The review noted several challenges pertaining to the ambition, quality, relevance and measurability of indicators as well as indicators which are not reflected in borrower country M&E systems.

Whereas IFC Country strategies demonstrate a logical linkage between country development gaps, the private sector role, IFC value addition, strategic objectives and development activities, specific indicators reflect investment volumes rather than targets for development outcomes.

MOPAN survey respondents generally agree (78%) that IFC’s work contributes to catalytic, market-wide effects, in addition to direct stakeholder effects. However, some stakeholders disagree (14%).

Q6 [02] In addition to direct stakeholder effects, IFC’s work [in COUNTRY] supports catalytic, market-wide effects.

Element 3: AIMM requires a clear rationale for identified outcomes based on a clear timeframe, including a baseline.

IFC stakeholders indicated that specified project outcomes must be justified by at least one indicator and a specified timeline, including a baseline measure. External assurance of AIMM scores suggests that this practice is being applied consistently.

For IFC AS projects, the guidance requires that baselines (and targets) are consistent with those in legal agreements and related investments and that baselines and targets have to be finalized at the latest after a grace period (up to 25% of the original implementation timeline and 25% of the original implementation budget being spent) IFC-IEG PCR Guidelines for AS, 2020. The reason for this grace period is that sometimes a portion of the AS project is devoted to developing appropriate baselines and targets.
Element 4: IFC requires all projects to have targets and timelines, for advisory service (AS) projects sometimes with a grace period. Results targets for investment are typically not adjusted throughout implementation. For AS, targets can be reviewed and adjusted until 25% of the implementation budget has been spent and 25% of the original implementation timeline has elapsed.

On the investment side, all projects are required to have targets and timelines. IFC typically does not adjust targets but allows a grace period for up to two years to achieve the result expected for the target year. (AIMM-Supervision Guidance, 2021). Investment projects typically enter the portfolio with the ex-ante AIMM score. When it becomes clear that the project will not achieve the expected target, the intensity score gets downgraded (i.e., how much the project contributes to filling a development gap). Due to the COVID-19 pandemic, IFC instituted a one-year grace period on the AIMM score. IFC continues to rate projects against the original results targets throughout implementation.

On the advisory service side, targets are usually set at approval but can be adjusted up to a grace period when 25% of the original implementation timeline has elapsed and 25% of the implementation budget has been spent (to allow for projects that include assessing baselines and targets as part of the project design). After that, a formal restructuring process for targets is necessary.

Element 5: Client consultation on results targets is conducted in the context of individual projects. At the country-level, CPSSDs, CPFs and IFC Country Strategies are developed in consultation with different stakeholders, including local private sector, host governments and development partners.

At the project level, the AIMM General Guidance note does not address consultation with clients, but IFC stakeholders noted that project outputs delivered and targets for reporting are always negotiated with clients. For AS projects, results targets are specified in client agreements and are required to be consistent with data used in IFC’s reporting such that there is a level of consultation required.

At the country level, CPFs, and their associated results targets, are created in consultation with country stakeholders (including borrowing partners) as required by Country Engagement Guidance. Guidance for CPSSDs indicates that “internal and external stakeholder consultation is critical (local private sector, counterparts, donors, development partners, WBG experts, etc.)”. While stakeholders are thus clearly expected to be consulted, it is unclear to what extent this consultation also relates to setting results targets. However, since CPSSDs are strategic documents, the consultation does not extend to results targets.

Although the guidance for IFC Country Strategies is silent on processes for consulting clients (aside from host governments and other development partners), IFC Stakeholders at country level confirm that continuous engagement occurs among development partners, host governments and the private sector, informing the design of Country Strategies and adjustments during 6-month review periods.

MI 7.3 Evidence confidence

Medium Confidence

MI 7.4: Monitoring systems generate high-quality, useful performance data in response to strategic priorities.

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<th>Score</th>
<th>Overall MI rating</th>
<th>Overall MI score</th>
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<td></td>
<td>Satisfactory</td>
<td>3.25</td>
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Element 1: The corporate monitoring system is adequately resourced.

Element 2: Monitoring systems generate data at output and outcome levels of the results chain.

Element 3: Reporting processes ensure data is available for key corporate reporting and planning, including for internal change processes.

Element 4: A system for ensuring data quality exists.

MI 7.4 Analysis

Source document
Element 1: The corporate monitoring system is supported by specialised staff across different functions as well as Portfolio Officers.

IFC’s corporate monitoring system is supported by the Development Impact Measurement Department (CDI) as well as many other departments supporting different aspects (e.g., E&S, gender). There are large numbers of staff working on different aspects of results measurement. Despite growth in these functions over time, IFC stakeholders linked to these functions report feeling over-stretched with their work due to an expanding scope of responsibilities.

Aside from experts in CDI, the E&S function and gender department, Portfolio officers play an important role in monitoring at the project level, which is aggregated to support the corporate monitoring system. POs update and rate for AIMM project dimension indicators annually once projects have reached early operating maturity. They also update the project-dimension likelihood and/or potential rating, where relevant. As an oversight measure, the Development Impact Measurement Department: (i) validates a random sample of projects to ensure they are aligned with the AIMM guidelines and sector frameworks; (ii) reviews the market outcomes for all projects; and (iii) undertakes a full review of the AIMM entries for all projects when they reach their target year.

Element 2: Project-level data AIMM is aggregated into portfolio AIMM scores, which provide an ex-post view on development outcomes but do not yet reflect which outcomes have been achieved across different sectors.

As noted above, AIMM is the primary means through which IFC monitors development results across its investments. AIMM was introduced in FY19, initially reporting only ex-ante scores as the projects matured and the portfolio covered by AIMM grew. IFC started to report externally assured ex-post results in FY20, which includes adjusted scores reflecting emerging results. Ex-post “portfolio” results are assessed using the same indicators and targets identified during design, which are not adjusted during implementation. Portfolio AIMM scores have been a bit lower, but similar to ex-ante scores, which IFC has noted to suggest that at the portfolio level, the development outcomes IFC expected to generate have mostly been delivered” (IFC FY21 Annual Report). The latest average AIMM scores are 53 ex-ante and 47 for the portfolio (IFC Annual Report FY22).

Whereas portfolio AIMM scores provide a more reliable basis to draw conclusions about the effectiveness of IFC’s operations, some challenges remain. Multiple factors are considered in identifying an AIMM score, which are communicated as a single number. This number provides an indication that results were achieved but does not on its own reflect what was achieved across different sectors. Each sector framework ensures that a set of relevant indicators are used to justify the stated outcomes ex-ante. As AIMM matures, it may be possible to aggregate project level data to consolidate results achieved by sectors and stakeholders confirm that this is the future trajectory. However, aggregated results for specific sectors are not being reported at this moment.

Information about the number of stakeholders reached by IFC’s operations in different sectors are still tracked in DOTS to feed into Tier 2 of the World Bank Group scorecard but are no longer reported as part of IFC’s corporate scorecard. These “reach” indicators (e.g., how many people were benefitting from services provided by IFC’s clients, such as infrastructure services; patients, students or farmers; employment provided; microenterprises, SMEs and trade finance clients) do not reflect contribution to outcomes. These considerations are addressed through AIMM, however, in identifying a project’s “intensity score” with respect to its contribution to addressing a development gap.

For advisory services, IFC reported on results in its Annual Reports at the beginning (FY17-18, calling them DOTS score) and end (FY21-22, calling them Development Effectiveness Score) of the review period, with disaggregated results by region and industry. In between, there was online reporting (and assurance) of advisory results.

Element 3: IFC’s reporting processes ensure that data is available for key corporate reporting, focusing on AIMM scores (ex-ante and for the portfolio), which have previously informed institutional reform
IFC also monitors the compliance of key reporting processes that contribute to corporate scorecard reporting.

As noted above, corporate scorecard indicators are cascaded to project-level reporting systems, helping to ensure that data are available for corporate reporting. Corporate scorecard indicators feed into IFC’s planning through annual SBOs, which go on to influence Budget Papers. As noted above, there have been well-defined instances where underperformance of key scorecard indicators have led to internal change processes, including revision of the ADM to enhance accountability for work quality and, more recently, to streamline investment decision-making.

IFC regularly tracks investment compliance to ensure the timely completion of key portfolio deliverables such as equity valuations, XPSRs, environmental and social compliance reporting and AIMM reviews. A grace period is applied to actual due dates for some of the metrics (i.e., 3-days grace period for credit ratings completion; 15-days grace period for XPSR completion). Investment compliance monitoring draws a random sample of 5 projects from each regional and global industry portfolio at the outset of each fiscal year to review if material project documents were properly filed and based on the review, the quality of record keeping for each department/unit is assessed. Attention is paid to avoid too much concentration in any particular country.

**Investment Services:**

All projects have ex-ante AIMM scores and enter the portfolio one fiscal year after commitment, initially with the same AIMM score as assigned ex-ante. AIMM establishes ex-ante what the key expected results (at the project and market level) are. Each development results claim must have an associated outcome indicator and clear, time-bound targets. These indicators are subsequently tracked during supervision and serve as proxy to assess the extent to which the development impact claim is achieved. The monitoring process (collection and rating of indicators) for project outcomes begins the year when the project’s operations commence (defined as early operating maturity, which may vary depending on a project’s profile).

The data collection process usually begins on April 1 each year and involves both portfolio officers (POs) and the Development Impact Measurement Department. Portfolio teams provide the data on the project level indicators underpinning AIMM claims on the basis of which sector economists and results measurement specialists update and rate the project level outcome achievement and likelihood ratings. Sector economists and results measurement specialists also review and update the rating for the market level dimensions (potential and likelihood ratings). Because systemic effects take longer to materialize, market indicators are typically collected on a biennial basis beginning a year after early operating maturity.

“CDI performs a full review of both project and market outcomes when projects reach their “target year.” The project-dimension score assigned at the target year is the terminal project-dimension score and remains fixed every year thereafter until financial close. Given the uncertainty of market effects, the market-dimension score may be re-assessed up to two years beyond the target year. The market-dimension score assigned two years after the target year is the terminal market-dimension score and remains fixed every year thereafter until financial close. For projects that close prior to the target year, a terminal AIMM score is assigned at financial close. A project will exit the portfolio when IFC no longer has committed exposure in the project (Source: Portfolio AIMM Monitoring).

These guidelines are applied to all IS projects with limited exceptions, ensuring that project-level data are available to support reporting in IFC’s corporate scorecard. For projects facing extenuating circumstances (e.g., facing force majeure situations), CSE may allow a grace period of up to two years extension beyond the target date for achievement of project-outcome indicators. This exemption will be considered on a case-by-case basis by CSE.

Each year, IFC management identifies a sample reflecting 40% of closed projects for the production of an Expanded Supervision Report (XPSR), IFC’s self-evaluation tool (discussed further in MI 8.3). XPSRs (Expanded Project Supervision Report), which is carried out as self-evaluation and subsequently validated by the Independent Evaluation Group (IEG). Each validated XPSR provides an indication of project performance in terms of: (i) comparing appraisal projections with actual results for key financial and
operating indicators; (ii) comparing the project performance with relevant competitors and sector benchmarks; (iii) assessing to potential sustainability of results over the longer term; and (iv) rating the projects emerging development results and IFC’s investment performance and operational effectiveness. This rating is provided on a six-point scale, with IFC tracking the proportion of projects that are rated in the top half of the scoring dimension (Moderately Satisfactory +) as part of the corporate scorecard.

Advisory Services:

For IFC AS projects, projects are required to identify baselines and performance targets consistent with those in legal agreements for related investments, with these being finalised following an initial grace period (25% of the original implementation timeline and 25% of the original implementation budget being spent) (IFC-IEG PCR Guidelines for AS, 2020). As projects must complete Project Completion reports with some limited exceptions (e.g., diagnostic and scoping, client/sponsor preparation engagements pre-commitment to support specific investment projects or to provide limited scope advice to existing or potential IFC clients, knowledge and product development). These projects completion reports are subject to validation by IEG, including ratings of projects’ Development Effectiveness. Development effectiveness scores reflect a synthesis of strategic relevance, output achievement, outcome achievement, impact achievement and efficiency. (IFC, 2020, Guidance: Advisory Services Project Completion Reports for Ratings)

Similar to IS projects, validated IEG scores are aggregated, with the proportion of projects rated as MS+ reported in the corporate scorecard.

Corporate Reporting Indicators:

IFC also collects “Corporate Reporting Indicators” (previously called reach indicators) that assess the influence of IFC’s clients overall (some are AIMM indicators), in addition to tracking project specific metrics. These are collected as part of the annual data collection exercise and usually reported in IFC’s Annual Report and feed into the WBG Scorecard. IFC reports against targets for “average ex-ante AIMM score for commitments” and “average portfolio AIMM score for active investment operations” as part of corporate scorecard reporting in Quarterly Operations Reports to the Board.

For corporate reporting indicators there were annual targets (IFC Development Goals or IDGs) until FY19 (Table 20), when they were still part of IFC’s corporate scorecard, but no longer, since there are no targets set for tier-2 indicators in the WBG Scorecard. Whereas the IDGs were expressed as incremental reach of new business in a certain year (e.g., a project that would increase the numbers of farmers in a supply chain from 300 to 1000 would have added 700 farmers to the IDGs), the Corporate Reporting Indicators report on IFC client’s total portfolio.

Table 20. IFC Corporate Reporting indicators

<table>
<thead>
<tr>
<th>Data in millions</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers reached</td>
<td>3</td>
<td>3.7</td>
<td>5.3</td>
<td>3.6</td>
<td>3.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Patients</td>
<td>34</td>
<td>41.2</td>
<td>49.9</td>
<td>55.3</td>
<td>44.8</td>
<td>41.8</td>
</tr>
<tr>
<td>Students</td>
<td>4.9</td>
<td>5.7</td>
<td>4.7</td>
<td>5.5</td>
<td>7.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Micro-enterprises</td>
<td>53.7</td>
<td>54.4</td>
<td>50.3</td>
<td>49</td>
<td>53.1</td>
<td>42.4</td>
</tr>
<tr>
<td>SMEs</td>
<td>8.3</td>
<td>8.3</td>
<td>7.9</td>
<td>10.7</td>
<td>12.7</td>
<td>14.6</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>178.4</td>
<td>118.5</td>
<td>118.5</td>
<td>62.4</td>
<td>71</td>
<td>72</td>
</tr>
<tr>
<td>Gas distribution</td>
<td>59.9</td>
<td>3.1</td>
<td>3.4</td>
<td>3.2</td>
<td>4.2</td>
<td>0</td>
</tr>
<tr>
<td>Water distribution</td>
<td>14.3</td>
<td>18.2</td>
<td>18</td>
<td>0.8</td>
<td>1.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Power distribution</td>
<td>24.6</td>
<td>18</td>
<td>15.6</td>
<td>9.8</td>
<td>8.2</td>
<td>11.3</td>
</tr>
<tr>
<td>Power generation</td>
<td>79.4</td>
<td>79.2</td>
<td>81.5</td>
<td>48.6</td>
<td>57.3</td>
<td>58.8</td>
</tr>
<tr>
<td>Phone connections</td>
<td>345.3</td>
<td>186.7</td>
<td>186.9</td>
<td>184</td>
<td>74.6</td>
<td>90.7</td>
</tr>
</tbody>
</table>

Source: IFC Annual Reports. For FY19 and FY20: Online assurance statements.
Element 4: IFC has been pioneering in using an assurance provider to assure development results information and making sure results measurement data is sound. AIMM scores, initially ex-ante and later for the portfolio (introduced in FY20), as well as corporate reporting indicators, that are also used for the WBG scorecard are externally assured.

IFC has been a pioneer in using external assurance for development results data since FY07, however, the actual data being reported and assured has changed over time (Assurance Provider Statements, FY17-22). The scope of assurance has changed over the review period. In terms of results, at the beginning of the review period (FY17 and 18), DOTS scores for investments and advisory services (overall and by sub-groupings, like region and industry or business area) were reported. DOTS scores for investments were reported from FY17-18 (and assured for FY19, but only in the online version), whereas development effectiveness for advisory services (initially also called DOTS scores) were assured throughout, but only reported in IFC’s Annual Report in FY17-18 and again in FY21-22.

As noted above, these data are still collected to feed into Tier 2 reporting for the WBG Corporate Scorecard. IFC also reported in its Annual Report on the carbon emissions of its own activities (in FY17-18, FY19-20 and FY21-22). These data were assured for this purpose throughout the review period.

Assurance now includes AIMM scores, including the ex-ante AIMM scores from FY19 onwards, and the ex-ante AIMM component of “very strong market creation” – a scorecard indicator – from FY22. For investments, portfolio AIMM scores were reported from FY20 onwards and assured in FY22. It is important to point out that portfolio AIMM scores contain an element of results – since they do take into account what was actually achieved.

The assurance provider reviews a selection of statements in IFC’s Annual Reports and indicators and assures not only the quality of the data, but also reviews IFC’s rating process through a sampling of projects to verify IFC is adhering to its frameworks, focusing on sustainability and development impacts data. The Assurance Provider states that “We apply International Standards on Quality Control and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance and ethical requirements, professional standards and applicable legal and regulatory requirements.” (IFC Assurance Statement, Annual Report FY22).

• Over the review period, the “Limited Assurance Conclusion” of the Assurance Provider has been consistently positive. For example, in FY22 it stated that “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the indicators have not been prepared, in all material respects, in accordance with the Reporting Criteria; or
• the Statements have not been presented, in all material respects, in accordance with IFC’s Access to Information Policy and the principles of relevance, completeness, neutrality, clarity and reliability as defined by international standards.”

MI 7.4 Evidence confidence

<table>
<thead>
<tr>
<th>MI 7.5: Performance data transparently applied in planning and decision-making.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Highly Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>3.75</td>
</tr>
<tr>
<td>Element 1: Planning documents are clearly based on performance data.</td>
<td>3</td>
</tr>
<tr>
<td>Element 2: Proposed adjustments to interventions are clearly informed by performance data.</td>
<td>4</td>
</tr>
<tr>
<td>Element 3: At corporate level, management regularly reviews corporate performance data and makes adjustments as appropriate.</td>
<td>4</td>
</tr>
<tr>
<td>Element 4: Performance data support dialogue in partnerships at global, regional and country levels.</td>
<td>4</td>
</tr>
</tbody>
</table>

MI 7.5 Analysis

Element 1: SBOs and Budget Papers report on KPIs from the Corporate Scorecard and complemented by comprehensive internal reporting to management and the Executive Board. Lessons harvested from non-
performing projects through Special Operations help inform the design of new investments going forward.

The key documents for IFC’s strategic planning are its annual Strategic Business Outlook (SBO) and the budget paper (BP).

This process and the resulting documents are grounded in IFC’s corporate scorecard, which reflects key operational indicators for financial performance and development effectiveness, efficiency and CIP commitments. As discussed above, the corporate scorecard is cascaded to individual VPUs and is linked to corporate budget allocations and awards and is reflected in IFC’s Country Strategies, which underscores its importance for corporate planning.

The corporate scorecard aggregates project-level information at the portfolio level about financial performance (through the RAROC) and ex-ante and ex-post development outcomes (through ex-ante and portfolio AIMM scores and IEG validations of XPSRs and PCRs) and client satisfaction (through IFC’s client satisfaction survey). Every development outcome claim is assigned at least one time-bound outcome indicator with target, which is tracked during supervision and compared to the original target.

Quarterly Operations Reports to the Board provide a full reporting of current performance against Corporate Scorecard indicators and targets. IFC Stakeholders have noted that a number of corporate targets identified prior to the pandemic have been found to be unrealistic. Targets have been changed in discussion with the Executive Board, but rationales are not always presented publicly.

Scorecard reporting has consistently been presented in SBOs; however, in these instances actual performance for previous years is not always presented against relevant targets. The Mandate-to-Disbursement (M2D) indicator has been reported in SBOs less consistently than other indicators having been absent from the FY21-22 and 22-23 SBOs. Otherwise, full scorecard reporting against targets is provided to management and the Board as part of Quarterly Operations Reports. IFC has also often presented information about contributing factors where corporate indicators have fallen short of targets. An example is the discussion around IFC’s Budget Coverage Ratio, including the impact of the pandemic on the availability of bankable projects in LICs and FCS which has contributed to slower than expected conversion of upstream work to IFC’s investment portfolio. However, a similar explanation was not provided in the case of M2D.

As noted in different sections above, there have been notable examples where performance data have informed course corrections. These include deep dive analyses around low development outcome and development effectiveness ratings implemented in 2018, which resulted in changes to IFC’s ADM for IS and AS projects. IFC again changed the ADM in 2023 to help streamline the investment decision-making process in light of corporate data on the speed of investment processing and decision-making.

Element 2: Projects are monitored throughout implementation, including their updated AIMM score. Quarterly Portfolio and Risk Reports provide an indication to IFC Management and the Board of emerging risks from operations to inform decision-making.

Portfolio officers (POs) are responsible for project supervision of a quarterly basis with supervision targeted toward credit risk, legal compliance and due diligence for Environmental and Social Risks. Integrity Due Diligence monitoring is also occurs regularly. This process involves interaction between POs and independent risk management functions such as credit risk, legal advice and compliance, corporate support and E&S policy and risk. Environmental and Social (E&S) specialists are responsible for supervision of E&S risks, conducted through site visits by IFC staff and through submission of Annual Monitoring Reports by the client on progress in meeting the E&S terms of the investment agreement.

Portfolio performance and risk are presented in quarterly Portfolio and Results Reports to IFC Management and the Audit Committee of the Board to facilitate management review and intervention where issues are emerging.
AIMM:

All projects have ex-ante AIMM scores and enter the portfolio one fiscal year after commitment, initially with the same AIMM score as assigned ex-ante. AIMM scores are tracked and updated annually once a project reaches operating maturity, considering performance information and underlying risks. Since market outcomes take longer to materialize, they are only assessed biennially, starting a year after they reach early operating maturity.

This information is expected to create feedback loops to facilitate potential corrective actions. AIMM scores have recently been incorporated into Quarterly Portfolio Risk Reports, which provides an avenue for management to intervene in cases of poor performance. Furthermore, the impact colleagues who work with project teams bring their knowledge from other projects to each new operation to help share lessons and improve the overall development impact of projects.

In early FY23, IFC performed an initial analysis of AIMM scores to try to glean some lessons from the available data for overall development outcome performance and refine the overall approach. Furthermore, a new analytical programme is being developed to better understand factors driving the development impact of projects for all four industries, including through the implementation of impact evaluations across the portfolio.

Special Operations

On an ongoing basis, when projects show signs of financial distress, IFC’s Department of Special Operations in the Risk and Finance Vice Presidency works to implement the restructuring, or possible recovery, of IFC’s exposure. Special Operations has established a mandatory process to harvest, curate and disseminate lessons within a clear governance framework.

When an operation is transferred to Special Operations, Investment Officers are required to engage in a standardised and mandatory lesson submission process with clear requirements for follow-up. Lessons are submitted to management and the Board on a quarterly basis to promote uptake, with lessons also curated and published online.

In the context of individual operations, Investment Officers use a standardised template to describe the reasons an operation was transferred to Special Operations, identify and describe key risk factors, describe the work out structure and describe key lessons and takeaways. Lessons are collected and made available on a centralised, searchable Special Operations Portal.

Element 3: IFC regularly reviews and updates its Corporate Scorecard annually in the context of SBO and BP reporting, and there are some clear cases of action plans and adjustments.

IFC regularly reviews and updates its Corporate Scorecard annually in the context of SBO and BP reporting, and there are some clear cases of action plans and adjustments. IFC’s Cost of Doing Business indicator directly feeds into planning and projections for IFC’s administrative budget requirements. IFC also regularly reviews performance against scorecard indicators and other issues, including corporate risks in the context of the Quarterly Portfolio Risk Report.

As noted above, scorecard targets are cascaded to individual VPs and linked to budget allocations. In this way, performance directly informs decision-making around resource allocation. Higher allocations are given to departments that have achieved more scorecard targets. Climate, gender, FCS are considerations in this. However, stakeholders report that achieving the targets is considered in balance: failing one target does not automatically mean that one performed poorly.

As noted above, in some cases, underperformance has led to in-depth reviews to identify drivers and inform decision-making and reform. A clear example is the joint IEG-IFC deep dive analyses of development outcome achievement for IS and development effectiveness for AS. These reviews led to changes in the ADM to strengthen accountability around quality at entry and front-end work quality. Recent corporate data
on Mandate 2 Disbursement and feedback from staff has informed a subsequent revision of the ADM to streamline investment decision-making.

**Element 4: Performance data support dialogue in partnerships at global, regional and country levels. Particularly in the area of mobilisation and the use of blended concessional finance IFC has been very active.**

In some areas, like mobilisation and blended finance, IFC has taken a leadership role and is helping to coordinate joint reporting by private-sector oriented development finance institutions (DFIs), that have resulted in developing joint standards and joint reporting. See for example the report on “Mobilisation of Private Finance” (2019, published January 2021) or the Reports by the DFI Working Group on Blended Concessional Finance for Private Sector Projects (2022 being the latest one), which IFC chairs. IFC has also contributed to the development of key standards and principles for private sector operations, including the MDB Harmonised Framework for Additionality and the DFI Enhanced Principles on Blended Concessional Finance for Private Sector Projects.

At the corporate level, performance data of CIP-commitments is tracked and reported regularly to the Board and Governors and has broadly been reflected in WBG and IFC Scorecards, which are being updated annually. This information supports ongoing dialogue with client countries.

At the country level, the CPF process involves “an evidence-based Systematic Country Diagnostic (SCD) and supports the client’s development goals. Mid-course corrections are encouraged through the Performance Learning Review (at mid-term), and lessons learned are generated in the Completion Learning Review for future support to clients. IFC performance data also feeds into the CPF, however overall CPFs focus relatively more on the World Bank.

Similarly, IFC reviews and updates its internal Country Strategies every 6 months based on progress in promoting key policy reforms and realising opportunities for investment. These reviews also inform the selection of sectors for which a CPSD II deep dive may be beneficial. These updates build upon and inform continuous consultation with the local private sector, host governments and other development partners.

MI 7.5 Evidence confidence

<table>
<thead>
<tr>
<th>KPI 8: Evidence-based planning and programming applied.</th>
<th>KPI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>3.06</td>
</tr>
</tbody>
</table>

The corporate results architecture is complemented by a robust independent evaluation function that has been continually strengthened over the assessment period. The Independent Evaluation Group (IEG) is operationally, financially and structurally independent from WBG management, including IFC. The Director General Evaluation (DGE) reports directly to the Executive Board, which approves IEGs mandate, its terms of reference, and the annual work programme. IEG has a dual mandate to promote both accountability and learning across the WBG through a range of evaluation and knowledge management activities. It prepares its workplan independently but in consultation with Management and the Executive Board. IEG’s processes are geared toward promoting the quality its evaluations, building on the WBG evaluation principles. All IEG reports include recommendations as well as a publicly accessible management response, with IEG’s Management Action Record System (MAR) updated to monitor implementation. Finally, IEG reports publicly on its activities and implements periodic external reviews to continually scrutinise and strengthen the function.

MI 8.1: A corporate independent evaluation function exists.

<table>
<thead>
<tr>
<th>MI 8.1: A corporate independent evaluation function exists.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>3.00</td>
</tr>
<tr>
<td>Element 1: The evaluation function is independent from other management functions (operational and financial independence).</td>
<td>3</td>
</tr>
<tr>
<td>Element 2: The head of evaluation reports directly to the governing body of the organisation (structural independence).</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: The evaluation office has full discretion in deciding the evaluation programme.</td>
<td>3</td>
</tr>
<tr>
<td>Element 4: The central evaluation programme is fully funded by core funds.</td>
<td>3</td>
</tr>
</tbody>
</table>
Element 5: Evaluations are submitted directly for consideration at the appropriate level of decision-making for the subject of evaluation.

Element 6: Evaluators are able to conduct their work during the evaluation without undue interference by those involved in implementing the unit of analysis being evaluated (behavioural independence).

### MI 8.1 Analysis

#### Element 1: The Independent Evaluation Group has a clear mandate from the IFC Executive Board, with operational and financial independence from IFC Management.

The authorising environment for independent evaluation comes from the IEG mandate. IEG’s mandate, issued in 2018, indicates that IEG is “responsible for the assessment of the relevance, efficacy, and efficiency of World Bank Group (WBG) operational policies, programs and activities, and their contribution to development effectiveness” (WBG 2018, “Policy – Independent Evaluation Group Mandate”). The mandate clarifies that IEG’s “work programs and budgets are prepared independently from the Institution’s budgets.” As specified in its mandate, IEG aims to promote both accountability and learning across the WBG and carries out its responsibilities and functions under the oversight of the Board Committee on Development Effectiveness (CODE), securing its independence from management.

A 2015 External Review of IEG indicated that the lack of a specific evaluation policy that provides a framework outlining the principles, criteria and accountabilities for evaluation across the organisation potentially undermines the independence of the function. Following the review, the Board approved a mandate for IEG and the WB, IFC and MIGA, in collaboration with IEG. The 2022 External Review of IEG considers IEG’s mandate to serve as its policy and that “Section 13 of the policy safeguards the independence of evaluation through clearly articulating IEG’s structural, institutional, and managerial independence.” The World Bank’s Evaluation Principles (2019), further elaborate the purpose of evaluations, the core evaluation principles, the evaluation system and the roles and responsibilities for independent evaluation.

#### Element 2: IEG demonstrates structural independence with respect to the selection and reporting lines of the Director General for Evaluation and IEG staff.

The IEG mandate lays out the responsibilities of the Director-General, Evaluation (DGE), who is responsible for managing the personnel and budget of IEG under the oversight of CODE in consultation with the respective Vice President responsible for Human Resources and budgets for each Institution. For IFC this would be the VP for Corporate Support, who is also responsible for HR and Budget. In this space, the DGE makes decisions independent from the management of IFC, reporting directly to the Executive Board.

In 2018, the Board approved the Revised Procedures for Selecting the DGE, which changed the term for the DGE from a five-year renewable term to a non-renewable six-year term. The DGE is appointed by the Board and reports directly to the Board through CODE and “the selection process and performance review of the DGE are managed under the oversight of CODE with the advice of the Vice President, Human Resources” (WBG 2018, “IEG Mandate”). Only the Board may remove the DGE, for cause.

With respect to the management of staff, the DGE selects the IEG Directors in consultation with the VP-HR “and the Chair of CODE on a non-objection basis” (WBG 2018, “IEG Mandate”). IEG Directors are responsible for the selection, performance evaluation, salary review and promotion for IEG Staff, with the oversight of the DGE.

#### Element 3: IEG work programme and budget are prepared independently from IFC for endorsement by the Executive Board.

IEG’s work program is prepared independently from IFC management, under the oversight of the DGE, for endorsement by CODE and the Budget Committee and ultimate approval by the Board. IEG prepares the IEG annual work program and provides an indicative workplan for the following two fiscal years, in consultation with management. IEG’s evaluation products are the responsibility of the Director responsible for the
evaluation in question, under the oversight of the DGE, who transmits reports to the Board, following an opportunity for management to review and comment.

**Element 4: IEG demonstrates financial independence. Its work programme and budget are prepared independently from the rest of the WBG for endorsement by the Executive Board. IEG is thus funded by the core funds of the IFC (and the other entities of the WBG).**

IEG demonstrates financial independence such that its work programs and budgets are prepared independently from the WBG’s budgets. IEG’s work program is prepared independently from the WBG’s budgets, under the oversight of the DGE, for endorsement by CODE and the Budget Committee and ultimate approval by the Board. IEG demonstrates financial independence such that its work programs and budgets are prepared independently from the IFC’s budget. The Board approves IEG’s budget, which is ring-fenced and commensurate with its work programme.

Stakeholders confirmed that the Executive Board is proactive in ensuring that resources are sufficient for IEG to carry out its core work and expressed few concerns over the availability of resources. However, budgetary trade-offs are sometimes required for learning engagements.

**Element 5: IEG evaluations are submitted to the Board Committee on Development Effectiveness. Efforts by IEG and IFC management to engage in a consultative process to promote the relevance and usefulness of its reports could be increased.**

IEG evaluations are submitted directly to CODE for consideration and approval. Management has the opportunity to review and comment on the evaluations, but IEG has the ultimate responsibility for the reports (*IEG Mandate of the Director General, Evaluations and IEG Terms of Reference*, 2018).

Over the course of the assessment period, IEG has sought to enhance engagement with management throughout the evaluation lifecycle to promote the uptake of recommendations and lessons while preserving independence. The IEG mandate notes that IEG endeavours at all times to maintain close and continuing contact with WBG staff so that their views are adequately considered in IEG reports and the analysis and findings of their reports are understood. This more nuanced understanding of independence has contributed to IEG’s effectiveness in implementing its dual mandate.

However, the 2022 External Review of IEG found that “the relations between IEG and IFC and between IEG … have been marked by mistrust and contentions, despite recent attempts to engage at the highest levels on a quarterly basis.” The External Review recommended that major corporate level evaluation “should be designed and conducted with clear learning objectives in mind and with full management involvement.”

**Element 6: IEG staff are supported by institutional policies that allow for unrestricted access to information and staff in conducting their work.**

The IEG Mandate confirms that IEG has unrestricted access to the staff and records on the Bank and may consult with borrower governments, beneficiaries, co-financiers and other stakeholders as well as operational managers, peer reviewers and other stakeholders as required to discharge its responsibilities. Moreover, IEG has access to "official records of IFC and its staff to enable their work as evaluators, in accordance with applicable Institutional policies and rules governing such access as determined by the Institution" (WBG 2018, “IEG mandate”). Interviews with IEG staff confirm that they are generally able to access required information to perform their role as intended.

**MI 8.1 Evidence confidence**

**MI 8.2: Consistent, independent evaluation of results (coverage).**

<table>
<thead>
<tr>
<th>Overall MI rating</th>
<th>Satisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI score</td>
<td>3.00</td>
</tr>
</tbody>
</table>

**Element 1: An evaluation policy describes the principles to ensure the coverage, quality and use of findings, including in decentralised evaluations.**
Element 2: The policy/an evaluation manual guides the implementation of the different categories of evaluations, such as strategic, thematic, corporate level evaluations, as well as decentralised evaluations.

Element 3: A prioritised and funded evaluation plan covering the organisation’s planning and budgeting cycle is available.

Element 4: The annual evaluation plan presents a systematic and periodic coverage of the MO’s interventions, reflecting key priorities.

Element 5: Evidence demonstrates that the evaluation policy is being implemented as required across operations.

<table>
<thead>
<tr>
<th>MI 8.2 Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Element 1:</strong> In addition to the IEG Mandate, the WBG Evaluation Principles define the purpose of evaluation, roles of various stakeholders, evaluation modalities, rigor, standards and quality assurance. The Principles cover the entire WBG and provide no distinctions by institution in terms of skills sets required or criteria covered.</td>
</tr>
</tbody>
</table>

The WBG has no evaluation policy, but the IEG Mandate, complemented by Evaluation Principles (2019), define the purpose of evaluation, the core principles evaluations will adhere to, defines the roles of various stakeholders, and the role of knowledge management and learning/feedback loops. As stated above, the Mandate is considered equivalent to an Evaluation Policy.

The Evaluation Principles distinguish between three main evaluation modalities: independent evaluation, mandatory self-evaluation, and demand-driven self-evaluation. The principles are aligned with international evaluation best practices and policies and draw on international norms and standards developed by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC), the Evaluation Cooperation Group (ECG), the United Nations Evaluation Group (UNEP, and the American Evaluation Association (AEA), as well as evaluation policies developed by other international organizations.

There are core principles defined for credibility, including a collaborative approach, rigorous design and quality assurance. The evaluation principles specify three key feedback loops through which independent evaluation promotes organisational learning and four measures to strengthen, engaging key stakeholders’ active participation in and ownership of evaluations with respect to the selection and methodology, and discussions around their findings.

The 2022 External Review also noted that in addition to the mandate and the Evaluation Principles “the Board approved ... IEG’s terms of reference, and CODE endorsed the WBG evaluation framework.”

**Element 2: The Evaluation Principles identify roles and responsibilities for the self and independent evaluation functions as well as core evaluation principles and the main types of evaluations delivered.**

The 2019 IEG Evaluation Principles identify “three main evaluation modalities: independent evaluation, mandatory self-evaluation, and demand driven self-evaluation.” Although not noted in the Evaluation Principles, IFC (unlike the World Bank) also has a self-evaluation system for advisory services and IEG also independently validates them and provides independent ratings in the form of Evaluation Validation Notes. The Principles establish core evaluation principles to help ensure quality and effectiveness, including utility, credibility and independence. They also identify a set of principles for enhancing the use of evaluation through planning and selection, implementation and reporting. Evaluations are expected to:

- have a collaborative approach, including use of local expertise;
- meet internationally agreed norms and standards, including a rigorous methodological design; and
- have a clear and efficient quality assurance process, including careful documentation of designs and methods and peer review at different stages of the evaluation process.

Four different levels of evaluation are identified, including sector, thematic, country and operational. The Principles identify who is responsible for the various types of evaluations – WBG staff for mandatory and demand-driven self-evaluations and IEG staff for “specific projects and programs, country programs, and a
range of sectoral, thematic, and corporate issues” and review and validation of individual project and country program completion reports.

Element 3: IEG prepares its workplan independently in consultation with management and the Executive Board to identify and prioritise its engagements.

IEG’s work programs and budgets are prepared independently from the WBG’s and IFC’s budgets. IEG’s work program is developed in consultation with management and other stakeholders. IEG annually prepares its annual work program and provides an indicative workplan for the following two fiscal years, which are made publicly available. IEG’s work programs seek to strike a balance between emerging and long-standing organisational priorities. In the case of COVID-19, IEG shifted its work program to provide evidence-based inputs and lessons to inform decision-making and highlighted COVID-relevant lessons in its ongoing evaluations.

As noted above, the Board approves IEG’s budget, which is ring-fenced and commensurate with the IEG work program.

Element 4: IEG validates all Expanded Project Supervision Reports (XPSRs), which cover a random representative sample of 40% of investment operations and the Project Completion Reports (PCRs) for advisory services; the selection of other types of evaluations is driven by strategic considerations.

IEG selects a random, representative sample of IFC investment operations that reach early operating maturity covering about 40% of operations reaching early operating maturity (on average over 80 per year during the review period). IFC staff, under instruction from management, carries out the XPSRs and IEG validates 100% of them. There are some exceptions, where IEG evaluates the operations itself in form of Project Evaluation Reports. The XPSRs are guided by IEG’s and IFC’s 2016 Instructions for Preparing an XPSR: Expanded Project Supervision Report.

IEG determines its sample size relative to the net approvals population (NAP). Currently a 40% sampling level “sufficient to allow for statistical inference at 95% confidence level on 3-year rolling average basis” (IEG and IFC, 2016, “Instructions for Preparing an XPSR: Expanded Project Supervision Report”). This sample size allows IEG “to draw relative performance inferences about the outcome quality of the NAP and of the main strategic groups (e.g., country risk/income group and sector),” however, “it is generally insufficient to determine performance differences between other project characteristics such as country, sub-sector and department” (ibid). It is important to point out that the Good Practice Standards for the Evaluation of Private Sector Investment Operations (4th Edition, 2011) allow for a sampling approach, but this would require also “disclose the sampling errors (at the 95% confidence interval) in the reported success rates for each of the evaluated indicators and outcome ratings”, which IEG appears to no longer do.

IFC also has an evaluation system for advisory services (AS), covering most AS with Project Completion Reports (PCRs), with few exceptions (e.g., diagnostic and scoping, client/sponsor preparation engagements pre-commitment to support specific investment projects, or to provide limited scope advice to existing or potential IFC clients, knowledge and product development). IFC and IEG have developed joint guidelines for reviewing Advisory Service Projects. The following criteria are assessed:

- "Development Effectiveness (DE), which is a synthesis of the following five dimensions: (1) Strategic Relevance; (2) Output Achievement; (3) Outcome Achievement; (4) Impact Achievement; and (5) Efficiency;
- IFC Role and Contribution, the extent to which IFC added value or made a special contribution to the client;
- IFC Work Quality, an assessment of project design and supervision/implementation — this dimension is rated only by IEG in its EvNotes. IFC presents the view from the client (via the client’s assessment of IFC work) and IFC staff lessons on design and implementation.” (IFC, 2020, Guidance: Advisory Services Project Completion Reports for Ratings)

First, project teams complete a self-evaluation according to IFC’s “Procedure: Advisory Services Project Governance”. Project teams are required to provide “documentation and evidence to justify the assessment
and claimed results” (IFC, 2020, Guidance: Advisory Services Project Completion Reports for Ratings). IEG validates a sample of these self-evaluations through a desk review and occasionally a field visit. During the review period, over 60 projects per year were self-evaluated through PCRs and validated by IEG. IEG also validates Completion and Learning Reviews for Country Partnership Frameworks.

However, there are no specific coverage requirements for other independent evaluations. The IEG mandate notes that, following consultation with external stakeholders, the Board and IFC management, IEG proposes strategic choices about its work program. These choices aim to strike a balance between resources and organizational needs to ensure the relevance, alignment with institutional strategic priorities and alignment with the main development challenges affecting member countries. IEG conducted a gap analysis in FY21, covering FY15-FY21, “with the aim to assess how well IEG’s thematic evaluation portfolios cover the respective project portfolios of the World Bank, IFC, and MIGA.” IEG has covered 72 percent of IFC’s investment services portfolio and 55 percent of its advisory services in its thematic evaluations (Table 21). The gap analysis concludes that “the overall coverage and alignment between IEG’s portfolio and the portfolios of WB, IFC, and MIGA is strong by region, client type (IBRD, IDA), Fiscal Year, sectors, themes, and industries and no major gaps exist” (IEG, FY22 Work program and budget and FY23-24 indicative workplan).

| Table 21. IEG coverage of WBG portfolios, by projects and commitment amount |
|---------------------------------|-----------------|-----------------|-----------------|
|                                  | IFC Investment Services | IFC Advisory Services | WB Lending |
| By Project                       | 72%               | 55%              | 72%           |
| By Commitment (USD)             | 80%               | 51%              | 87%           |
| Share of projects covered in more than 2 evaluations | 44% | 23% | 61% |

Source: IEG, FY22 Work program and budget and FY23-24 indicative plan

As part of the FY21 work program, IEG conducted a Gap Analysis examining its coverage of the WBG portfolio demonstrating strong overall alignment with the portfolio across sectors, notwithstanding some gaps for specific thematic areas. IEG’s FY22 work program similarly focuses on keeping “a line of sight to other emerging and longstanding corporate priorities including the IDA 20 special themes and cross-cutting areas, climate change ambition, concerns on debt sustainability, the Green, Resilient, Inclusive Development (GRID) framework, the new WBG knowledge framework and the outcome orientation agenda.”

Element 5: IEG reports on the activities it delivers each year as well as management uptake of evaluation recommendations; however, this reporting does not always provide full transparency on the delivery of its work program.

IEG produces an Annual Report that identifies the delivery of different activities over the fiscal year, including different types of evaluations, learning engagements and evaluation lessons to inform ongoing operational activities, and capacity development activities. Aside from reporting on the completion rate for XPSR validations, the annual report does not necessarily compare completed high-level evaluations against the annual work plan. At times, evaluations that appear in the annual programme are postponed or adjusted, which not always discussed directly in annual reporting. Furthermore, work plans and annual reports do not report on the status of evaluations from previous years or challenges in delivering on the work program.

MI 8.2 Evidence confidence

MI 8.3: Systems applied to ensure the quality of evaluations.

<table>
<thead>
<tr>
<th>MI element</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>3.20</td>
</tr>
<tr>
<td>Element 1: Evaluations are based on design, planning and implementation processes that are inherently quality-oriented.</td>
<td>3</td>
</tr>
</tbody>
</table>
Element 2: Evaluations use appropriate methodologies for data collection, analysis and interpretation.

Element 3: Evaluation reports present the evidence, findings, conclusions, and where relevant, recommendations in a complete and balanced way.

Element 4: The methodology presented includes the methodological limitations and concerns.

Element 5: A process exists to ensure the quality of all evaluations, including decentralised evaluations.

MI 8.3 Analysis

Element 1: The Evaluation Principles identify processes for design, planning and implementation of evaluation that are aligned with best practice, including checks and balances to ensure quality and end-to-end stakeholder engagement.

IEG’s Evaluation Principles are aligned with international evaluation best practices and policies and draw on international norms and standards developed by the OECD-DAC, the ECG, UNEP, and the AEA, as well as evaluation policies developed by other international organizations. IEG has an expert to review and advise on methodology.

Project evaluations were developed in correspondence with the Good Practice Standards for Private Sector Evaluations (for XPSRs) and Public Sector Evaluations (for PCRs) agreed by the ECG. The XPSR includes the following key sections:

- “A summary of the project’s business objectives, financial structure, sponsors and financiers;
- An assessment of the project’s strategic relevance, and extent of achievement of the operation’s objectives (as defined and presented in the Board Paper);
- A comparison of appraisal projections for key financial and operating indicators with the actual results to date, along with an explanation for material variances;
- A comparison of project performance with relevant competitors and/or sector benchmarks for the specific industry/niche.
- An analysis of the prospects for the operation going forward to assess the sustainability of results in the longer term;
- Rating of the project’s emerging development results, IFC’s investment performance, IFC’s operational effectiveness and additionality, with evidence to support each performance rating; and
- Identification of emerging lessons from the experience to date” (IEG and IFC, 2016, “Instructions for Preparing an XPSR: Expanded Project Supervision Report).

Country Partnership Evaluations are centred around two questions: (i) What was the political, social, and economic context during the evaluation period? And (ii) What were the main development challenges and constraints to making progress on those challenges? These reports also conduct a deep analysis of other evaluation issues to draw lessons from operations over a longer-term (10 year) timeframe.

High-level and strategic level evaluations address a limited number of questions reflecting the DAC criteria, but do not provide ratings on these criteria, referring to composite indicators instead. This is a departure from how evaluation issues are addressed in peer organizations and raises questions of trade-offs between accountability and learning.

IEG employs a multi-layered approach to assure the quality of evaluations that includes in-depth review of intermediate and final evaluation products by internal and external reviewers. Additionally, the Principles emphasise the importance of stakeholder engagement in promoting quality and utility. A key point of entry is to engage stakeholders in reflecting on what to evaluate, which questions to focus on and the potential uses of the evaluation.

The 2022 External Review identified two risks regarding its collaboration with IFC management in implementing the self and independent evaluation functions: (i) misalignment between AIMM and the XPSR.
methodology, with management having more ownership of the AIMM tool; and (ii) the need for increased collaboration between IFC management and IEG. However, IEG noted that the quality of engagement with IFC management had increased since the previous External Review.

In its management comments, IFC Management committed to working with IEG to address methodological misalignment between AIMM and the XPSR, enhance the quality of collaboration throughout the implementation of evaluations and emphasise the importance of learning from IEG assessments. IFC stakeholders noted that a working group has since been put in place to revamp the project self-evaluation approach and increase learning value from evaluation activities, including XPSRs and project-level evaluation. In the context of new operations, stakeholders note that review meetings and discussions held early in the process of designing new investments and other operations are intended to promote the uptake of lessons for new operations. However, actual uptake of lessons through these touchpoints is not formally tracked.

Element 2: IEG has made concerted efforts to enhance evaluation methodology and promote clear triangulation of data; however, there continues to be opportunities for improvement.

Since the previous external review of IEG in 2015, a Methods Advisory Function (MAF) has been established to help strengthen the methodological rigor and quality of IEG reports. IEG Methodological advisors provide advice to evaluation teams on methodology to promote rigor as well as opportunities to employ new methods and technologies. Furthermore, IEG conducts meta-evaluations of its activities implemented over a defined period of time with respect to their rationale, focus, use of innovative methods, design and quality (reliability, validity and consistency). The most recent meta-evaluation, published in 2022, covered evaluations published between FY15 and FY19 and served as an input to a broader external review of IEG.

The 2022 meta-evaluation notes that the range of methods used to respond to evaluation questions has generally been appropriate, including notable innovation in methods used for data collection and analysis (85% of all evaluations linked the methodological strategy to the evaluation questions). However, there is some room for improvement with respect to how different data sources and methods are used to address specific evaluation questions and how evidence from different sources has been triangulated to substantiate evaluation findings. Recommendations included:

- fully articulating data collection and data analysis and how they and brought together to inform judgements; and
- identifying clear principles for triangulation and syntheses.

Furthermore, the review notes that "while the evaluations examined in the sample were generally robust in addressing data analysis validity, data quality concerns and strategies to mitigate potential biases resulting from weaker data came up as areas of concern."

Element 3: IEG reports are generally perceived as objective with clear linkages between evidence and conclusions. In IFC’s case, however, an External Review of IEG found that there had been some evaluations where management did not accept evaluation conclusions, which limited the uptake of suggestions. This was less likely to occur where the methodology was agreed previously and well-understood.

The recent Meta-Evaluation noted that concluded that IEG reports are generally consistent in their rationale, scope, questions, methods, findings and recommendations, including a logical fit between methods, data sources and evaluation questions with recommendations that flowed logically from findings.

However greater clarity could be achieved in describing assumptions underlying the theories of change. In some cases, triangulation of evidence was found to be insufficient in certain contexts with the report noting that "a number of evaluations still do not show sufficient clarity on how different methods help answer specific evaluation questions and how evidence from different sources is triangulated and used to substantiate evaluation findings."
Nevertheless, IEG’s 2022 client survey results are positive in this area, with over 80% of Board members, internal staff and external stakeholders reporting that IEG reports provide an objective analysis based on relevant information and provide a clear link between the evidence and conclusions. Given that IFC-respondents make up about a quarter of the respondents (265/1039, vs. over 70% for the WB), the results from the client survey have to be interpreted with caution for IFC.

For IFC specifically, the 2022 External Review noted however some specifically controversial evaluations (particularly those related to corporate policies and global results) in which management responses question the validity of conclusions rather than identifying means up taking up positive findings and suggestions. The review also noted that "The results of major evaluations are more likely to be accepted—even if they are critical of the results achieved by IFC or MIGA—if the methodologies adopted to assess performances and results were agreed to and were well-understood by the evaluands."

Other decisive factors influencing the acceptance of the evaluations’ results are the technical competence, the previous private sector exposure, and the seniority of IEG evaluators. Moreover, the rationale for the evaluation and its main concerns and questions should significantly reflect the concerns and operational intentions of the units and staff involved. We observed substantial progress in this regard, especially for evaluations conducted at the sector or country levels.” The review also noted that learning has not received much recognition and that "CODE has been mostly unaware of the learning processes that major evaluations generated and has not assessed them."

Element 4: IEG evaluations increasingly present methodological limitations in a transparent way.

IEG’s Meta-Evaluation of IEG Evaluations (Fiscal Years 2015–19) found that most evaluations addressed limitations “in a meaningful and convincing manner.” IEG evaluations increasingly provide a clear description of limitations, increasing from 60% of evaluations produced in 2015 to over 80% produced in 2019. Whereas the Evaluation Principles note that evaluation methodologies must be transparent and rigorous, there is no specific statement on the need to present limitations. However, the coverage of IFC-only related evaluations was very limited (most evaluations covered the WBG). IEG’s Client survey respondents generally felt that reports present the methodology clearly, with over 80% of Board members, internal staff and external stakeholders reporting that they are satisfied with the clarity of the methodology in IEG’s reports.

Element 5: Beyond implementing a quality assurance process for its own evaluations, IEG also assesses the quality of XPSRs and PCRs.

In addition to implementing quality assurance processes for its own reports, IEG plays an important role in promoting the quality of XPSRs produced after operations reach early operating maturity through its validation activities in line with the ECG Good Practice Standards. The Validation Note is an independent, desk-based, critical evaluation of the XPSR content and ratings. IEG provides its own rating for each project. IEG has also consistently conducted validations of all Completion and Learning Reviews (CLRs) produced for CPFs. A disconnect is calculated, reflecting the difference between the outcome rating the WBG assigns and the rating IEG assigns through the validation.

MI 8.3 Evidence confidence

<table>
<thead>
<tr>
<th>MI 8.4: Processes in place that require and incentivise use and dissemination of the evidence base to design new investments and other operations.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall MI rating</strong></td>
<td><strong>Satisfactory</strong></td>
</tr>
<tr>
<td><strong>Overall MI score</strong></td>
<td>3.00</td>
</tr>
<tr>
<td>Element 1: A formal requirement exists to demonstrate relevant knowledge and lessons from past operations are incorporated into the design of new investments and other operations.</td>
<td>3</td>
</tr>
<tr>
<td>Element 2: Clear feedback loops exist to feed lessons into the design of new investments and other operations.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: Mechanisms exist to collect lessons from past investments and other operations systematically to inform new investments and other operations and communicate them to staff.</td>
<td>3</td>
</tr>
</tbody>
</table>
**Element 4:** Incentives exist to apply lessons learned to new investments and other operations.

**Element 5:** Processes exist to ensure uptake of lessons from past investments and other operations are incorporated into new strategies, with uptake being monitored by the MO.

<table>
<thead>
<tr>
<th>MI 8.4 Analysis</th>
<th>Source document</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Element 1:</strong> Self-evaluation reports (XPSRs and PCRs) contain lessons. There are also formal requirements in place for new Country Partnership Frameworks to demonstrate uptake of lessons from previous operations.</td>
<td>3, 6, 64, 66, 70, 75, 84, 85, 231, 232, 233, 262, 272, 293, 294, 302, 318, 330, 357, 395, 409</td>
</tr>
<tr>
<td>IEG reviews and validates individual project evaluations for investments (XPSRs) and advisory services (PCRs) as well as WBG country program completion reports. IEG’s annual report on the Results and Performance of the World Bank Group summarizes lessons and recommendations that emerge from syntheses of portfolio-wide reviews of individual projects and country program performance.</td>
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<tr>
<td>The WBG’s Directive on Country Engagement requires that lessons learned from Completion and Learning Reviews are reflected in the design of the following Country Partnership Framework. This requirement is reflected Guidance for Country Engagement as well as in the templates for Country Partnership Frameworks, Completion and Learning Reviews and Performance and Learning Reviews.</td>
<td></td>
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<tr>
<td><strong>Element 2:</strong> IEG disseminates lessons from evaluations through different mediums, however collaboration with IFC management could be improved. Although processes for designing new investments and operations create opportunities for the creation of feedback loops, these are not formally tracked.</td>
<td></td>
</tr>
<tr>
<td>The 2022 External Review of IEG notes that IEG has been active in deploying new and innovative means of disseminating its findings and transmitting conclusions and key messages. However, the review also noted that collaboration between IFC and IEG in sharing lessons and findings from evaluations could be improved. As part of its annual work programme, IEG identifies a number of learning engagements to share lessons from evaluation, including events that respond to demand among WBG management. IEG produces a series of sector highlights and other learning engagements specifically for IFC staff. IEG also has a weekly blog, ‘#whatworks’, focusing on “understanding what works and why, to draw lessons and good practices from experience, deepening the evidence base to inform decision making and future action.” IEG also produces a podcast dedicated to lessons learned. These products cover a variety of sectors and themes. For example, IEG has also created a lessons library for COVID-19 bringing together a range of evaluations of responses to past global crises such as the 2008 financial crisis and the 2006 Avian Influenza, to make the lessons generated more accessible.</td>
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<tr>
<td>The 2022 External Review of the IEG indicates that uptake of learning from evaluations has been “sparsely documented” and is less visible as a result. The 2021 IEG client survey suggests that IEG reports remain the main means through which staff engage with IEG, with 55% of staff respondents reporting that they had read IEG reports between 2018-21, while 22% reported watching presentations and videos and 18% reported attending Brown Bag Lunch events. IEG has implemented a strategy of increasing uptake of evaluation lessons by enhancing engagement with management throughout the evaluation cycle. Satisfaction with IEG engagement is monitored as a criterion for assessing the perceived quality of IEG evaluations among different stakeholder groups. In 2021, 77% of staff responding to the survey were satisfied with the level of engagement from IEG. These surveys cover the entire WBG and are not focused on IFC.</td>
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<tr>
<td>The 2022 External Review noted that management was not using IEG lessons in its external communications and that IFC was not sharing lessons with its partners, constituting a missed opportunity. Stakeholders noted that IFC and IEG have since engaged in a Corporate Dialogue to address the learning value of evaluations by both strengthening learning focus of evaluation products and increasing ownership of self-evaluation within IFC through greater recognition and communication of evaluation work and lessons learnt.</td>
<td></td>
</tr>
<tr>
<td>In the context of new operations, stakeholders note that review meetings and discussions held early in the process of designing new investments and other operations are intended to promote the uptake of lessons for new operations. However, actual uptake of lessons through these touchpoints is not formally tracked.</td>
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ICF’s Management Response to the 2019 GIA audit currently sits at 55% implementation. Key activities that are planned but have not yet been implemented include: (i) approval of a Knowledge Management Strategy and Implementation Plan; and (ii) metrics for uptake and use of knowledge to be identified as part of this Strategy.

Element 3: Lessons from projects are captured in several places, however, the timeliness and utility of these lessons could be improved. IEG has increasingly been active in disseminating lessons through communications and knowledge management activities to share lessons and raise awareness of IEG’s activities. IFC has similarly made progress in strengthening mechanisms to share lessons from operations.

Lessons from operations are captured in the following ways (see 4.2.4 for more information):

- Stakeholders indicated that the Special Operations Department has created and maintains a database on lessons learned from projects handled by their unit;
- IEG lessons learned are aggregated in a database available to inform investment decisions. While the database of XPSR lessons is not public;
- IEG also provides “Insights” based on artificial intelligence, which summarizes lessons from project reports;
- Stakeholders indicated that on demand knowledge packages are being compiled to help staff responsible for processing investments take stock of IFC’s investment experience to inform decision-making;
- In response to the 2019 GIA Report on Knowledge Management, IFC has created a new search engine platform to make it easier to access lessons from past knowledge work and operations through a “lessons learned” tab in IFC Search;
- New online knowledge platforms have been created, including a “Knowledge Flash” monthly newsletter, “Knowledge Live” webinars and “Knowledge Hub,” a centralised Sharepoint platform providing knowledge in line with different subjects, functional areas and themes; and
- Annual learning events such as “Knowvember,” including a widely attended range of knowledge sessions to share lessons and experience internally across headquarters and country offices.

For example, for every project that falls within Special Operations, there is and established governance framework to collect and disseminate lessons learned from such projects (called ‘lessons harvest cycle’):

- It is mandatory for each project to have a lesson submission and the process is backed by clear guidelines. The lesson harvest cycles have strict follow ups and monitoring of submissions, and this is also reported to management on a quarterly basis.
- Lessons are captured in a standardized manner, with all Investment Officers required to use the same template, which cover an overview of the project, reason for transfer and further details of the project, including details of the company and sponsors. It also addresses different risk factors, the workout strategy, and key takeaways, among other sections.
- All lessons learned are disseminated through one centralized portal “Lessons Explorer”, which is accessible to all staff. The portal allows the user to find lessons by industry, region, country, risk factor, financial instruments, and time frame, among other filters.

As noted in MI 4.2.4, above, IFC is also seeking to implement a range of technology platforms in future to promote the collection and uptake of lessons from operations, including IFC OpsFinder and a Lessons Learned platform. Development is ongoing, with full implementation expected in FY24 and 25.

A key challenge involves the timeliness of the lessons that are available, particularly those identified by IEG. Stakeholders report that these lessons are being provided too late in the project cycle (at the Investment Review Meeting, when significant resources have already been spent), rather than at the early review stage, when it is still easier to make a go- or no-go decision.

IEG’s work program reflects a coordinated approach to ensure stakeholders are aware of, understand and can use knowledge produced by IEG, including through short-reports, Brown Bag Lunches (BBLs), podcasts, webinars, videos and blogs. The IEG newsletter, BBLs and IEG website and consolidated lessons library for COVID-19 have been found to be particularly important for raising awareness of IEG’s work. The 2022 External Review recognizes that IEG has significantly intensified its work in communication and dissemination to intended users and the broader evaluation community. However, the review also recommended that IFC “in collaboration with IEG, should actively share with other MDBs and DFIs the major
conclusions of the evaluations of their activities, particularly those related to operations in fragile contexts” as this is currently an area of weakness. In its 2022 stakeholder survey, stakeholders identified improving outreach as the most important means through which IEG can help improve the effectiveness of the WBG.

Element 4: IFC has sought to strengthen incentives for the dissemination and uptake of lessons for operations, including through efforts taken to respond to the GIA report, staff incentives for use of knowledge to generate better business results and structured templates for investment plans and supervision reports.

Following the 2019 GIA Report on Knowledge Management, IFC has sought to strengthen the accountability structure for knowledge and learning through:

- The development of a Knowledge Management Strategy and Implementation Plan (not yet finalised);
- Integration of knowledge management responsibilities into management Terms of Reference (not yet finalised); and
- Creation of a specific knowledge management unit, including integration of knowledge management activities and competencies into staff job titles and descriptions.

Furthermore, IFC does recognize teams and individuals who leverage knowledge for better business results and incentivises a productive knowledge culture through the “Knowbel” Awards, a WBG-wide recognition program.

There is a formal requirement to take up lessons in the design of new CPFs. Furthermore, IFC Implementation Plans for investments and advisory engagements require that project teams identify how lessons learned from previous operations have been taken up to inform the design of new operations. Beyond that, IFC Supervision reports for investments and advisory engagements include a section where staff can identify new lessons. As noted in MI 4.2.4 and 8.4.3 above, IFC is currently seeking to implement a range of technology solutions to help collect and curate these lessons for easy access by IFC staff.

Element 5: Processes are in place to lessons are collected and taken up in operations supervision and design, including a mandatory process of lessons harvesting for non-performing Operations implemented through the Special Operations Team. However, uptake of lessons from evaluation has been less consistent and is not formally tracked.

Although CPFs and new operations are required to identify how lessons from previous operations were taken up to influence design, neither IFC management nor IEG formally track the uptake of lessons across individual projects or make this information public. IEG’s client survey tracks self-reported use of lessons from evaluations to inform the design of new operations and is reported publicly.

According to the 2021 IEG client survey, learning from IEG evaluations has declined from 2020 to 2021, with learning about development effectiveness decreasing from 57% to 42%, and learning about project design decreasing from 40% to 32% (which continues a longer-term trend from over 50% in 2017-2019). For IFC, the main reasons for the low perceived learning value were that the lessons (1) were detached from reality (34%), focused too much on accountability (22%), had no value added (17%), ignored feedback (11%) and came too late (11%). IEG found itself that it can enhance its value by “providing more practical lessons, presenting more objective evidence and listening more to staff feedback”.

As part of the forthcoming Knowledge Management Strategy, IFC intends to identify specific metrics and targets for lessons and uptake in operations; however, this is not yet available. Currently, IFC does track common metrics for internet pages and knowledge products such as unique site visits, unique page views and downloads, but these do not necessarily capture uptake of lessons to inform new operations.

As noted in 4.2.4 above, the Special Operations Department (CSO) has also developed a range of tools to capture lessons and knowledge gained in the course of its work on jeopardy projects. CSO applies a systematic approach whereby to harvest tacit and explicit project knowledge and disseminate it across IFC to improve structuring of new investments and portfolio management and avoid typical pitfalls that put
investments at risk. This process is managed through an established governance framework, for which implementation is monitored regularly.

When an operation is transferred to Special Operations, Investment Officers are required to engage in a standardised and mandatory lesson submission process with clear requirements for follow-up. Lessons are submitted to management and the Board on a quarterly basis to promote uptake, with lessons also curated and published online. In the context of individual operations, Investment Officers use a standardised template to describe the reasons an operation was transferred to Special Operations, identify and describe key risk factors, describe the work out structure and describe key lessons and takeaways. Lessons are collected and made available on a centralised, searchable Special Operations Portal.

Most stakeholders responding to the MOPAN survey agree (70% favourable) that IFC learns lessons from previous projects and applies them to new operations; 20% of respondents however indicated that they didn’t know or had no opinion.

Q6 [05] IFC learns lessons from previous projects and applies them to new operations.

| MI 8.4 Evidence confidence | Medium Confidence |

MI 8.5: The MO proactively identifies, tracks and addresses poorly performing operations through monitoring of financial performance, development impact, ESG risk and Integrity Due Diligence.

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<thead>
<tr>
<th>Score</th>
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<tbody>
<tr>
<td>Overall MI rating</td>
</tr>
<tr>
<td>Overall MI score</td>
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</tbody>
</table>

Element 1: A system exists to identify poorly performing interventions.

Element 2: Regular reporting tracks the status and evolution of poorly performing interventions.

Element 3: A process for addressing poor performance exists, with evidence of its use.

Element 4: The process clearly delineates the responsibility to take action.

MI 8.5 Analysis

Element 1: Through the XPSR and PCR systems, IFC and IEG can identify poorly performing interventions. In portfolio supervision, credit and environmental and social risk and development impact is also closely tracked.

IFC’s self-evaluation systems for investments (Expanded Project Supervision Reports – XPSRs) and advisory services (Project Completion Reports – PCRs) identify areas of poor (and strong) performance. However, the External Review of IEG identifies a “lack of ownership” by IFC management for the self-evaluation system, in part because XPSRs do not clearly align to IFC’s AIMM tool, for which there is much stronger management ownership. These tools are distinct in that that XSPRs provide a one-time snapshot of a project at operational maturity whereas AIMM involved several stocktakes over the life of a project following early operational maturity. IFC stakeholders note that they are engaging with IEG in the IFC-IEG Corporate Dialogue on XPSR.
Reform with the goal of leveraging the strengths of current systems to create a relevant, credible, and robust framework for identifying and following up on poorly performing operations.

Poor performance in terms of Environmental and Social (E&S) Risk Ratings (ESRRs), Non-Performing Loans (NPLs) and Credit Risk Ratings (CRRs) is also closely tracked and addressed when underperformance is identified during portfolio reviews.

Since FY20, IFC also reports on AIMM scores during supervision. Portfolio AIMM performance and analysis is now included in Quarterly Portfolio Risk Reviews. According to IFC, its ambition is to eventually use portfolio AIMM scores for active management of the portfolio for impact. These reports include an analysis of overall portfolio AIMM scores and trends across industries, including an analysis of drivers. Key drivers of performance include the entry into the portfolio of recently scored projects. COVID-19 and deteriorating macroeconomic conditions in its aftermath are identified as key drivers of reduced portfolio AIMM scores for some projects following the expiry of a one-year grace period for data collection.

Most partners surveyed agree (72% favourable) that IFC tracks the performance of projects through regular monitoring and supervision, although, only just over half of peer organisations agree with this statement, according to the MOPAN survey; 18% of respondents indicated that they didn’t know or had no opinion.

Element 2: Annual reporting by IEG in the “Results and Performance” (RAP) identifies poorly performing interventions. Credit and E&S risk are also reported, quarterly internally and annually externally. AIMM scores for supervision have been reported since FY20.

IEG reports annually in its “Results and Performance” report on IFC’s development results for investments and advisory services, highlighting areas of underperformance. For example, at the beginning of the review period (2017), very weak development results for investment and advisory services triggered a joint deep-dive by IEG and IFC Management analysing the reasons (mainly related to IFC work quality) and an action plan to address them. This resulted in significant improvements in some areas (e.g., development results, appraisal work quality), but not in others (e.g., work quality for supervision has declined further). Recent deterioration of some results (e.g., in fragile and conflict-affected situations and environmental performance) have also triggered reviews.

IFC also closely tracks performance in terms of Environmental and Social (E&S) Risk Ratings (ESRRs), Non-Performing Loans (NPLs) and Credit Risk Ratings (CRRs) and addresses underperformance that is identified.

AIMM reporting for supervision (by sector and region) has been introduced in FY20. Until FY18, IFC provided detailed development results for the portfolio using its Development Outcome Tracking System (DOTS) in its Annual Report. In FY19, DOTS results were still externally assured, but no longer reported in IFC’s Annual Report. As noted above, since FY20 AIMM is now included in the supervision of operations and regular portfolio reviews for management, including an analysis of key drivers of good performance and underperformance across industries.
Element 3: There is a clear process for identifying under-performance for XPSRs and PCRs, ESRRs, CRRs and NPLs, with evidence of follow-up. It is less clear how poor performance during supervision identified by AIMM is systematically addressed.

At the beginning of the review period (2017), declining development results for investment and advisory services triggered a joint deep-dive by IEG and IFC Management, analysing the reasons (mainly related to IFC work quality) and an action plan to address them. This resulted in significant improvements in some areas (e.g., development results, appraisal work quality. Recent declines of some results identified from IFC’s project evaluation system (e.g., in fragile and conflict-affected situations and environmental performance) has also triggered reviews.

Performance in terms of Environmental and Social (E&S) Risk Ratings (ESRRs), Non-Performing Loans (NPLs) and Credit Risk Ratings (CRRs) is also closely tracked and addressed when underperformance is identified. This has, for example, resulted in a significant improvement of the ESRRs over the review period and also after a brief deterioration at the beginning of COVID – of NPLs. CRRs are regularly reviewed – the frequency depending on the CRR.

As noted above, since FY20 AIMM is now included in the supervision of operations and regular portfolio reviews for management, including an analysis of key drivers of good performance and underperformance across industries. It is less clear how this analysis is driving decision-making for the design and approval of new investments and operations.

The external review recommended several actions regarding the self-evaluation system, two key ones are: (i) the AIMM system “should be at the core of the new self-evaluation procedures” as it is well-established, measures staff performance, provides incentives, and the current XPSR methodology does not consider AIMM and its conclusions, (ii) “IFC managers and task team leaders should assume full ownership of the self-evaluation process.” These actions are intended in part to strengthen systems for identifying and addressing poor performance of operations and the uptake of lessons learned.

The 2022 External Review of IEG recommended to urgently develop a new self-evaluation methodology, closing the gap between AIMM and XPSRs. The introduction of AIMM “expanded the differences between IEG and IFC’s understanding and measurement of developmental impact in the private sector, depriving the dialogue between the two institutions of a common language and criteria of success” (2022 External Review). IFC and IEG senior managers engaged in two joint working groups between FY19 and FY21 without any progress, however, “a joint working group on market base benchmarking started in June 2021 has made encouraging progress.” As noted above, IFC has re-engaged with IEG in the IFC-IEG Corporate Dialogue on XPSR Reform with the goal of leveraging the strengths of current systems to create a relevant, credible, and robust framework.

In the MOPAN survey, responding shareholders and co-financing partners agree (71% favourable) that where possible, IFC supports the commercial sustainability of projects that are performing poorly through investment restructuring and advice. However, nearly half of co-financing partners did not know or had no opinion on this matter.
Element 4: There are clear roles and responsibilities among different units to address poorly performing interventions.

IFC’s projects are actively supervised and IFC’s Department of Special Operations is responsible for providing specialized supervision to non-performing investments.

IFC investment projects are actively supervised after commitment (see 5.2.2 for additional information on project supervision). Investment Departments have primary responsibility for project supervision. IFC undertakes periodic project reviews as part of the supervision process, in which risks that impact feasibility, commercial viability, or potential development outcomes are assessed and – to the extent possible – addressed.

AIMM tracks development outcomes during supervision. Risks related to feasibility and commercial viability are covered as part of credit rating (CR) tracking; when projects are experiencing challenges that undermine viability, IFC undertakes analysis and negotiation to enhance recoveries and project outcomes. On an ongoing basis, when projects show signs of financial distress, IFC’s Department of Special Operations in the Risk and Finance Vice Presidency works to implement the restructuring, or possible recovery, of IFC's exposure. Projects transferred to that department are non-performing investments in need of specialized supervision seeking to recover IFC’s investment. Additionally, IEG validates IFC Expanded Supervision Reports for a sample of projects reaching operating maturity.

MI 8.5 Evidence confidence

| MI 8.6: Clear accountability system ensures responses and follow-up to and use of evaluation recommendations. |
| Score |
| Overall MI rating | Satisfactory |
| Overall MI score | 3.00 |
| Element 1: Evaluation reports include a management response (or has one attached or associated with it). | 3 |
| Element 2: Management responses include an action plan and/ or agreement clearly stating responsibilities and accountabilities. | 3 |
| Element 3: A timeline for implementation of key recommendations is proposed. | 3 |
| Element 4: An annual report on the status of use and implementation of evaluation recommendations is made public. | 3 |

MI 8.6 Analysis

Element 1: IEG Reports include recommendations as well as a publicly accessible management response.

Each IEG evaluation report has an associated management response that is presented publicly with the rest of the evaluation report. IEG and IFC management interact throughout the process of implementing thematic / sectoral and major evaluation. Prior to submitting a report to CODE, management elaborates a
Draft Management Response that addresses the findings and recommendations stating their extent of agreement with each recommendation. After CODE meets to discuss the evaluation with IEG and management, a Board report is drafted summarising the discussion and IEG publishes the report alongside the management response.

**Element 2: Management responses note the extent of agreement or disagreement and actions that will be undertaken.**

Over the assessment period, there has been a change in how management responses are prepared with the goal to facilitate more constructive dialogue between IEG and Management. Under the previous system, Management had 90 days following the discussion of a report at CODE to issue an action plan identifying timelines and responsible parties for implementation of the management response. These reports provided an itemized action plan with timelines for implementation and were presented to the Board through quarterly updates. IEG would follow-up and rate implementation through an annual report and track progress for implementation through a consolidated database.

In reforming the Management Action Record system (MAR) in 2020, a number of changes were agreed among management and approved by the Board with the goal of making the system more strategic and effective. IEG recommendations are now fewer in number and more outcome-oriented. Management responses used to only reflect either full agreement or disagreement but may now reflect partial disagreement with aspects of recommendations. Management Action Plans and IEG ratings of implementation progress were discontinued. Instead, Management now submits annual self-assessments that are strategically focused on the intended outcome of recommendations which are then validated by IEG. These annual reports and IEG’s validation are presented to the Board annually. IFC management and IEG discuss and agree when recommendations should be retired either because the outcome has been achieved or because they are no longer relevant.

The 2022 External Review of IEG notes that the reform process has limited the overall number of recommendations, giving a clearer and more credible review of measures put in place to address previous evaluations. This change responded to a perception among management that IEG recommendations were sometimes too prescriptive or inappropriate. It remains a challenge to report on the impact of these initiatives at a strategic level to understand what is not working and why or clarify what additional changes are needed to deliver the intended outcome of a recommendation or action.

However, overall, the review noted that the reformed MAR is reinforcing both accountability and learning and is better positioned to documenting adaptive learning from evaluations, including course-corrections as needed. For IFC in particular, the External Review of IEG noted that “Management responses have often been defensive, focusing more on rejecting critical conclusions than on implementing positive findings and suggestions.” In response to the External Review of IEG, IFC Management committed to: “(i) redoubling effort to remedy the trust and collaboration deficit by continuing to build a constructive relationship with IEG; (ii) work to define a way forward on methodological misalignments with IEG; and (iii) emphasise the importance of learning from IEG assessments”.

Stakeholder views on the MAR reform have been mixed. Some stakeholders expressed concern that the recent changes to MAR reporting make it more difficult to see the vertical logic behind the management response in terms of how expected actions are intended to lead to outcomes that assess recommendations. Furthermore, some noted that it has become more difficult to assess overall progress in implementing the recommendations. IFC stakeholders have noted that for evaluations and agreed recommendations, this logic is detailed in the framework to track the implementation of recommendations, which is discussed and established between IFC technical leads with IEG input during intensive consultations. These frameworks are now the bases of reporting through the MAR.

**Element 3: There is a clear timeframe for outcome-driven follow-up on evaluations and management responses.**

Under the previous system, Management Action Plans provided a timeline for implementation, but this clarity was undermined by the limited quality of evidence and buy-in for the process more generally. The
new MAR system maintains a reporting period of five years (with monitoring beginning the year after completion of the evaluation, resulting in four follow-up reports), after which recommendations are formally retired – whether or not they have been implemented. This runs counter the guidance suggested by the ECG (“recommendations should be followed up until they are implemented or become irrelevant”). Recommendations may be retired prior to the end of this period upon agreement by Management and IEG. This process allows for the organisation to implement course-corrections and respond to changes in context as required.

Element 4: IEG reports on the implementation of recommendations and management actions annually through a self-assessment process and an outcome-driven validation report.

Throughout the assessment period, IEG has implemented a process for following up on the implementation of Management Actions. Under the previous system, IEG would provide ratings for follow-up on specific recommendations based on submissions from management and present an annual report to CODE. Evidence suggested that, although the process was implemented consistently, it was failing to deliver on its intended purpose. The 2018 Results and Performance Report noted that after 4 years, only 52% of Management Actions had been implemented. Furthermore, the evidence provided on implementation was relatively weak, providing insufficient evidence to the Board on actual follow-up or on the extent to which intended outcomes underlying the recommendations had been achieved and why.

Under the new system, IEG issues an annual report validating management’s self-assessment of implementation against outcome-focused recommendations. This process involves a process of engagement and discussion between IEG, technical staff and senior management to help better understand results and barriers in addressing strategic outcomes. The new MAR Validation report provides a high-level summary of progress toward outcomes in each thematic area covered by active recommendations.

While the new outcome orientation is clearly laudable, it also makes it more difficult to assess concrete progress towards implementing the recommendation.

MI 8.6 Evidence confidence

High Confidence

<table>
<thead>
<tr>
<th>MI 8.7: Uptake of lessons learned and best practices from evaluations.</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MI rating</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall MI score</td>
<td>3.25</td>
</tr>
<tr>
<td>Element 1: A complete and current repository of evaluations and their recommendations is available for use.</td>
<td>3</td>
</tr>
<tr>
<td>Element 2: A mechanism for distilling and disseminating lessons learned internally exists.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: A dissemination mechanism to partners, peers and other stakeholders is available and employed.</td>
<td>3</td>
</tr>
<tr>
<td>Element 4: Evidence is available that lessons learned and best practices are being applied.</td>
<td>4</td>
</tr>
</tbody>
</table>

MI 8.7 Analysis

Element 1: Most of IEG’s evaluation of IFC’s work are available on IEG’s website. Project-level self-evaluations and related lessons are not.

IEG’s evaluations, work programmes, management action record validations, and Annual Results and Performance Reviews are available publicly on the website. Additionally, IEG provides the results of its stakeholder surveys, publicly accessible evaluation methods resources, blogs, podcasts and an overview of evaluation lessons by thematic area. Overall, the database of available evaluations is up to date.

While the database of XPSR lessons is not public, IEG confirmed that it is still providing “Insights” based on artificial intelligence, which summarizes lessons from project reports. However, these lessons are being provided too late in the project cycle (at the Investment Review Meeting, when significant resources have...
already been spent), rather than at the early review stage, when it is still easier to make a go- or no-go decision.

**Element 2: IEG evaluations are required to have a dissemination plan and are increasingly communicated through diverse platforms through products geared toward uptake. At the project level, lessons are fragmented and provided too late in the project cycle.**

IEG’s Evaluation Principles require evaluations to have a dissemination plan, requiring that:

- “findings should be publicly disclosed for independent evaluations and demand-driven self-evaluations;” and
- “findings and lessons learned should be made accessible to relevant internal and external target audiences.”

These dissemination plans are developed in collaboration between evaluation teams and IEG’s knowledge and dissemination team.

A database exists for lessons from IFC evaluations; however, according to interviews the system is currently being improved to reduce fragmentation (e.g., there are separate lessons on E&S issues, from special operations). XPSRs cover approximately 40% of operations from a statistically representative sample. XPSRs are complemented by regular portfolio reviews to capture lessons and overall trends from operations supervision, including portfolio AIMM scores. IFC’s internal search function includes a lessons learned tab, however it is unclear the extent of its use by staff.

As noted in 8.7.1 above, IEG insights are generated which summarise the lessons from project reports; however, there are opportunities to improve uptake by providing these earlier in the investment cycle at the early review stage.

**Element 3: IEG disseminates its work to stakeholders through a range of communications tools, however, IFC could further increase the credibility and dissemination of IEG evaluations.**

Evaluations are communicated through blogs, podcasts, lessons learned series, and lessons databases. IFC also conducts learning events to disseminate findings and recommendations of IEG thematic evaluations. These are targeted towards operational staff with the objective of dissemination and incorporation of learning into operational decision making. In FY23, IFC and IEG have co-led three of these learning events.

IEG’s learning and dissemination activities respond to contemporary issues and are reflected in IEG’s Work Programme. For example, a COVID-19 lessons library brings together a range of evaluations of responses to past global crises such as the 2008 financial crisis and the 2006 Avian Influenza, to make the lessons generated more accessible. IEG’s Annual Results and Performance Report distils high-level lessons from its validation XPSRs and PCRs. However, IEG could strengthen the communication and uptake of lessons by providing an easily searchable tool for staff in line with peer organisations.

The 2022 External Review of IEG found that “IEG evaluations of IFC performance and their findings and recommendations could provide useful knowledge to the broad DFI community,” however, “this does not happen often enough because disseminating evaluation findings and lessons learned is left mainly to IEG and its specialized channels of communication.” For IFC evaluations to have more impact, IFC would need to be more forthcoming and share “with its partners as it learned and acted upon as a result of evaluation findings and recommendations. These are missed opportunities that have consequences for IEG’s recognition and the incentive to collaborate with it: if IFC management included the lessons learned through evaluations more frequently in its external communication, it would improve its credibility and increase the evaluation system’s prestige among its sceptical staff.”

**Element 4: IEG implements periodic internal and external reviews, following on a recommendation from the 2015 External Review of IEG. As noted above, it is not clear if lessons learned and good practices are being applied to new operations and strategies.**
For new operations, uptake of lessons is encouraged through different tools and processes, including discussions and review meetings held during the early stages of designing operations. However, there is no formal requirement for uptake of lessons in new operations and uptake is not monitored and tracked.

With respect to Independent Evaluation, IEG has undergone a series of external reviews since the first such assessment was completed in 2005. Following the 2015 External Review, it was agreed that IEG would undertake regular, periodic external reviews.

In 2014, the World Bank’s CODE commissioned an external review of IEG conducted by an independent expert panel. The review was conducted for the purpose of identifying suggestions and recommendations to the Board of Executive Directors to enhance IEG’s impact, strengthen its role and independence and clearly identify IEG’s main strengths and areas for improvement.

The 2015 Report’s recommendations for IEG’s work with the private sector include:

- The importance of IEG’s dual mandate for accountability and learning, with an enhanced means of ensuring the quality, relevance, usefulness, credibility and influence of IEG’s work;
- Regular independent external reviews should be conducted every 5 years;
- The need for a principle-based living evaluation policy, including Terms of Reference and a five-year strategy for IEG;
- The need to strengthen oversight from CODE; and
- The need for IEG to build M&E capacity in client countries in partnership with the WBG, peers and borrower countries.

IEG submitted a management response to CODE broadly agreeing with the proposed directions. IEG reports on implementation on the recommendations through its annual reports and annual work programmes.

A follow-up to the 2015 report was completed and published in 2022, which follows up on the implementation of recommendations from the 2015 report, noting that substantial progress has been made. The 2022 review also addresses IEG’s work with the private sector and provides several key findings:

- The relations between IEG and IFC have been marked by mistrust and contentions. There is potential for better collaboration.
- IFC managers and staff largely perceive the current self-evaluation and validation processes of investments as imposed accountability exercises in the hands of IEG, and IEG believes that it co-owns the self-evaluation process.
- More flexibility in sampling projects for self-evaluation and in defining the best moment to conduct their self-evaluation are warranted. The system needs to be redesigned for accountability and for learning.
- Some of the major evaluations devoted to corporate policies and global results achieved by IFC have been particularly controversial, with a lack of agreement between IFC management and IEG on some evaluation conclusions, limiting the uptake of suggestions and recommendations. As noted above, this is often mitigated by greater consultation and agreement around the evaluation methodology.
- Central findings from evaluations of IFC and MIGA activities are relevant for the DFIs community and for commercial institutions engaged in impact investing. Yet IFC and MIGA have not actively disseminated these findings in their operational networks.

The report makes a number of recommendations (for the WBG in general and for IFC specifically) for follow-up in the next review, including increasing the oversight role of CODE; increasing the visibility and clarity of resource allocation for learning activities; improving collaboration between the IEG and IFC promote an evaluation culture; better defining IEG’s role in informing WBG strategic shifts relative to other accountability and research functions; supporting the WBG’s shift in outcome orientation through
evaluation; and strengthening engagement in evaluation capacity development. The review also noted the importance of designing and conducting evaluations with clear learning objectives and with full management involvement as such an approach would help minimize disagreement.

In response to the External Review of IEG, IFC Management committed to: “(i) redoubling effort to remedy the trust and collaboration deficit by continuing to build a constructive relationship with IEG; (ii) work to define a way forward on methodological misalignments with IEG; and (iii) emphasize the importance of learning from IEG assessments”.

8.7 Evidence confidence

Performance Area: Results

Achievement of relevant, inclusive and sustainable contributions to humanitarian and development results in an efficient manner

<table>
<thead>
<tr>
<th>KPI 9: The MO achieves impact and financial sustainability and results contribute to cross-cutting goals.</th>
<th>KPI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>2.82</td>
</tr>
</tbody>
</table>

In general, achievement of development outcomes for IFC’s IS and AS have improved over the assessment timeframe. This improvement has partly been due to process changes introduced following a joint IFC-IEG review of performance challenges. The overall proportion of IS projects with positive development outcome ratings has improved over the latter half of the assessment period, increasing from 41% positive in CY2016-18 to 53% positive in CY2019-21. There are important regional differences across the portfolio, with IS projects in Central Asia, Türkiye and South Asia outperforming other regions, particularly Africa. AS projects have followed a similar trend, increasing from 38% rated “positive” in FY2015-17 to 60% in FY2019-21. However, the performance of FCS projects has declined throughout the assessment period. With the exception of FY20, IFC has consistently demonstrated strong performance for client satisfaction in line with corporate targets.

<table>
<thead>
<tr>
<th>MI 9.1: Interventions assessed as having achieved their objectives, and results (analysing differential results across target groups, and changes in national development policies and programs or system reforms).</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>MI rating</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>MI score</td>
<td>2.80</td>
</tr>
<tr>
<td>Element 1: Portfolio investments, including in funds and funds’ sub-portfolios, demonstrate overall profitability and prospects for portfolio growth.</td>
<td>3</td>
</tr>
<tr>
<td>Element 2: Operations, fund portfolios and sub-portfolios have contributed to sustainable economic development.</td>
<td>2</td>
</tr>
<tr>
<td>Element 3: Investments demonstrate compliance with the MO’s ESG standards and have promoted high standards.</td>
<td>3</td>
</tr>
<tr>
<td>Element 4: Operations demonstrate contribution to Private Sector Development and/or transition with respect to market development, enhanced competition, demonstration effects and policy frameworks.</td>
<td>3</td>
</tr>
<tr>
<td>Element 5: Clients are satisfied with the services and support received from the MO.</td>
<td>3</td>
</tr>
</tbody>
</table>

MI 9.1 Analysis

Preface to the analysis – this section is provided to give an overall view of the extent to which IFC’s IS and AS projects contribute to their intended development outcomes. Assessments of development outcome achievement consider various dimensions, which are discussed in the elements below. This preface provides an overall picture of development outcomes and development effectiveness for IFC’s IS and AS projects respectively.

KPI 9-12 prioritises relevant evaluative information where available and considers other sources of evidence as available and appropriate.

72, 79, 153, 286, 429
Development outcome and development effectiveness ratings for IFC's IS and AS projects have been on an upward trajectory throughout the assessment period. Indications from the current portfolio suggest this upward trajectory is likely to continue.

Throughout this section, two perspectives are taken in presenting information regarding the extent to which the MO achieved impact and financial sustainability contributing to cross-cutting goals. First, the analysis looks at IEG validations of XPSRs, considered a robust, independent and credible source of evidence around the performance of IEG’s operations. Second, the assessment considers, as possible, indications of ongoing performance from the existing portfolio.

IEG validations do not necessarily reflect the existing portfolio because XPSRs are only produced once investments reach operating maturity. Therefore, these ratings reflect the investments and activities IFC pursued at the outset or prior to the assessment period. Balancing these data with current indications from the existing portfolio is a means of reflecting the potential trajectory of IFC’s results.

IEG provides overall reporting on development outcome achievement through its annual Results and Performance (RAP) reports, which provide data on development outcome achievement on a three-calendar year rolling basis for IS. For AS projects, similar ratings are provided on a three-fiscal year basis for development effectiveness. Figures below report data by “evaluation year” which is the final calendar year of these three-year rolling periods.

Overall development outcome achievement for IS projects:

IEG XSPR validations consider achievement across four dimensions, discussed in greater detail in elements 9.1.1 to 9.1.4. These include: (i) project business success; (ii) economic sustainability; (iii) environmental and social effects; and (iv) private sector development impact. A project’s development outcome encompasses all effects on a country’s economic and social development along these four dimensions (on a four-point scale). Development outcomes are rated on a 6-point scale (highly successful, successful, mostly successful, mostly unsuccessful and unsuccessful). For this section projects with “positive” ratings reflect projects which receive ratings in the top half of these scales. (IEG XPSR Instructions, 2016).

At the start of the assessment period, IFC development outcome ratings for IS projects had been on a downward trend, with 41% of projects receiving a high rating in CY2015-18. From that point, development outcomes rebounded, reaching 53% in CY2019-21 (Figure 12).

This significant improvement since 2018 followed a deep-dive into the reasons for poor performance, jointly done by IFC and IEG, noted above. That deep-dive identified weak work quality in the timeframe prior to the assessment period as the main reason for poor performance. The “2017 joint IFC-IEG study on IFC’s work quality on investment projects identified staffing, incentives, diffused accountability, IFC’s organizational culture, and IFC’s focus on volume targets over development results as the main factors affecting IFC’s investment work quality” (IEG 2021 RAP). Given the time lag between project appraisal, approval, disbursement and operating maturity, it is likely that other factors have played a role in the upward trajectory observed in the latter half of the assessment period.
There have been notable regional differences in performance over the assessment period, with IFC projects in Central Asia, Türkiye and South Asia outperforming other regions, notably Africa. Scores also tend to be lower in FCS countries.

Overall development outcome achievement for AS projects:

Most of IFC’s AS projects (with certain, well-specified exceptions) are subject to self-evaluation by operational staff and independent validation by IEG. IEG identifies a validated overall development effectiveness rating for AS projects which is a synthesis of three dimensions:

- Strategic relevance – “assesses in retrospect the appropriateness of the project at initiation and at completion given conditions at the time and whether the AS project, as designed, was the right instrument.”

- Effectiveness, in terms of the extent to which all major expected outputs have been delivered and the quality of those outputs; the achievement of expected outcomes and contribution to observed effects; and impact achievement given the counterfactual and extraneous factors; and

- Efficiency of the project, in terms of how reasonable costs were in relation to the actual results and the economical use of resources (funds, expertise and time). (IFC, 2020, Guidance: Advisory Services Project Completion Reports for Ratings).

For this section of the assessment, the effectiveness rating is discussed separately in element 9.1.2 below, whereas strategic relevance and efficiency are discussed in KPIs 10 and 11 respectively.

As with IS projects, AS project ratings of development effectiveness were on a downward trajectory prior to the assessment period prior, reaching 38% rated “positive” for FY2015-17. AS development effectiveness results subsequently rebounded to 60% in FY2019-21 following a joint IFC-IEG deep dive review analysing the reasons for the decline and implementation of an action plan to address them.

Note that results are reported as a 3-year rolling average, e.g., results for evaluation (fiscal) year 2021 include XPSRs validated in FY2019-2021. AS development effectiveness ratings to not have the same degree of time lag to the existing portfolio relative to IS projects.

A timeseries of IFC’s Development Results for IS and AS projects is presented in Figure 13, below.
Element 1: Following a downward trajectory prior to the assessment period, the overall profitability of IFC’s investments has improved over the assessment period.

Overall profitability and prospects for project growth has been examined from two perspectives: (i) IFC’s corporate indicators for overall portfolio profitability and growth; and (ii) IEG validations of Expanded Supervision Reports.

Overall portfolio profitability

IFC’s net income (or losses) and key financial indicators are reported consistently in its Annual Reports and Financial Reports. IFC is recognised by credit ratings agencies as having a strong track record of profitability, notwithstanding difficult financing and economic conditions in many borrowing countries. (MOODY’s FY 22)

Aside from overall income, IFC’s key financial indicators for portfolio profitability include the Return on Average Assets (ROAA) and Return on Average Capital (ROAC), which reflect the profitability of IFC’s assets for the period and how well IFC uses its capital to generate profits.

Table 22. Key Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROAA - Return on average assets (US-GAAP)</td>
<td>1.60%</td>
<td>1.40%</td>
<td>0.10%</td>
<td>-1.70%</td>
<td>4.20%</td>
<td>-0.50%</td>
</tr>
<tr>
<td>ROAC - Return on average capital (US-GAAP)</td>
<td>5.90%</td>
<td>5.00%</td>
<td>0.30%</td>
<td>-6.30%</td>
<td>14.90%</td>
<td>-1.40%</td>
</tr>
<tr>
<td>IFC Debt Portfolio RAROC (%)</td>
<td>n/a</td>
<td>7.50%</td>
<td>8%</td>
<td>6.80%</td>
<td>3.20%</td>
<td>4.80%</td>
</tr>
<tr>
<td>Equity Portfolio Return (vs. MSCI, %)</td>
<td>n/a</td>
<td>0.10%</td>
<td>Negative</td>
<td>-6.70%</td>
<td>-6.90%</td>
<td>26.20%</td>
</tr>
</tbody>
</table>

Source: IFC Annual Reports FY17-22, IFC SBOs and Budget Papers (FY17-22); IFC

XPSR Validations at project level

In addressing the overall development outcome of Investment Services projects, IEG considers “Project business success.” IEG defines project business performance as reflecting the project’s actual and projected impact on the company’s profitability and overall prospects for sustainability and growth. The incremental effect of the project on the company is assessed on a with vs. without project basis, or on a before vs. after project basis. This indicator is treated as a proxy indicator for the projects’ profitability as individual projects must demonstrate overall profitability to contribute to portfolio performance. (IEG and IFC, 2016, Instructions for Preparing an XPSR: Expanded Project Supervision Report).

The evolution of IEG’s XSPR ratings over the assessment period demonstrated a decline in ratings from 47% rated “positive” in CY2011-14 to 34% in CY2016-18 before rebounding to 52% in CY2019-21. This rebound
is partly attributable to changes made by IFC following a joint IFC-IEG review to strengthen the front-end work quality of IFC’s investments.

Figure 14. IFC Investments: Project Business Success

Source: IEG data for XPSRs.

Element 2: Following a downward trajectory prior to the assessment period, the contribution of IFC’s investments to sustainable economic development has improved over the assessment period, but there remains room for improvement.

This analysis considers the contribution of IFC’s operations, fund portfolios and sub-portfolios to sustainable economic development with respect to IEG’s validated ratings of XPSRs. As noted above, IEG XPSR validations carry a time lag given the time taken for projects to reach operating maturity.

Although portfolio AIMM scores reflect multiple factors but provide an indication of the extent to which projects in the ongoing projects are likely to contribute to economy-wide effects and the structure / function of markets. However, AIMM scores are also a proxy indicator given that disaggregated ratings for different considerations are not available. The portfolio AIMM score for the period increased from 45 in FY21 to 47 in FY22. Despite this progress, AIMM ex-ante and portfolio data are not a substitute for ex-post evaluative evidence.

XPSR validation

XPSR validations measure economic sustainability in terms of a project or company’s contribution to growth in the economy and the incremental effects on key stakeholder groups, such as employees, customers, suppliers, the community, competitors, government, and the environment (e.g., GHG emissions). (IEG XPSR Instructions, 2016) Ratings improved from 40% rated positive in 2017 to 49% in 2021 (Figure 15).

The 2022 IEG RAP notes that “IFC investment projects were negatively affected by unfavourable economic issues, high business risks, and high competition. IFC has no formal procedures for modifying their original development objectives, indicators and targets to adapt to changing market conditions.” Despite these challenges, XPSR scores for this indicator have fallen below the threshold required for performance to be deemed satisfactory for this indicator.
Element 3: IEG’s environmental and social effects ratings for IFC operations increased overall during the assessment period despite a recent decline. At the same time, IFC’s Environmental and Social Risk Ratings (ESRRs) have continuously improved.

As with previous analyses, this section provides perspectives from IEG validations of XPSRs and alongside measures linked to the current portfolio.

IEG XPSRs:

IEG XPSRs assess a project’s contribution to environmental and social effects as one of the criteria considers in its development outcome rating. This rating has two sub-criteria:

- Compliance with the requirements of each Performance Standard based on documentation for the Summary of Investment Information, Environmental and Social Review Summary and Investment Agreement;
- Contribution of the project to changes in Environmental and Social Performance from the time of appraisal to that of evaluation, including whether such change has been beneficial or adverse and the extent of the project’s wider E&S impacts on the sector, region, country and supply chains through demonstration effects.

A Satisfactory rating requires that “The project company is in material compliance with IFC’s at-approval or current requirements, including implementation of an ESAP (if any), IFC’s Performance Standards, World Bank Group Environmental, Health and Safety (EHS) guidelines, and host country laws, and there have been no moderate or significant negative effects.”

XPSR data indicate that IFC’s E&S performance increased over the assessment period from 66% rated positive in CY2014-16 to 74% in CY2017-19 but declined slightly in the latter half of the assessment period (Figure 16).
Portfolio Ratings of Environmental and Social Performance:

IFC has developed and utilizes an E&S Risk Rating (ESRR) system, which evaluates a client’s performance in managing E&S risks including avoidance, mitigation and control of risks and adverse impacts, rated on a four-point scale from Excellent to Unsatisfactory.

ESRRs are calculated at appraisal as a baseline, and then updated after each supervision. The percentage of investments that received ESRRs of 1 (excellent) and 2 (satisfactory) increased from 82% in CY2015-17 to 88% in CY2020-22 (Figure 17). The average over the assessment period was 85 percent, demonstrating good performance.

According to interviews, the drivers of the improvement are improved discipline in due diligence due to institutional changes (and reporting lines), introduction of more systematic ESG review procedures, and improved supervision approach and supervision planning. IFC’s relatively strong performance for ESRRs suggests a positive trajectory in the management of environmental and social risk.

Figure 17. Evolution of Environmental and Social Risk Ratings (ESRR) in IFC

Source: IFC Annual Reports

Element 4: Private Sector Development ratings for IS projects and development outcome ratings for AS have increased throughout the assessment period. Portfolio AIMM scores suggest that this trajectory is likely to continue.
IEG XPSRs assess private sector development (PSD) impact in terms of the extent to which the private sector development objectives defined at approval were achieved in addition to any unintended or unexpected effects outside those objectives. (IEG and IFC, 2016, Instructions for Preparing an XPSR: Expanded Project Supervision Report)

The PSD dimension “addresses to what extent the project company has developed into a corporate role model – positive or negative – and whether the project has contributed to IFC’s purpose by spreading the benefits of growth of productive private enterprise beyond the project company or financial intermediary. In making the assessment, it is important to distinguish the project’s effects on wider private sector development from those extraneous factors that, conversely, have affected the project.”

Positive and possible negative effects are considered in the following areas:

- Impacts on market development, in terms of integration of the business activities of trading partners and competitors into the formal economy, development of local financial services, increase in the private provision of goods and services and support for entrepreneurship;
- Enhanced competition, in terms of greater efficiency, quality, innovation or customer service of other suppliers through competitive pressures;
- Demonstration effects, in terms of shows that something works in practice, or that the prevalent perception of something is not accurate, and this leads others to change what they do, or demonstrating that a certain legal, regulatory, or institutional reform can be effective at unlocking investment of a particular type;
- Corporate role models, in terms of improvements brought about by the project or by IFC, in the company’s accounting standards, disclosure standards, risk management, governance quality, reputation or business practices, which serve as a positive corporate role model;
- Policy frameworks, in terms of creation or strengthening of public and private institutions, improving the functioning of regulatory entities and practices, promoting competition, predictability and transparency through policy reform and legal reforms that strengthen the private sector and an open economy;
- Physical infrastructure development, in terms of development of physical infrastructure for the project, which communities and other unrelated private enterprises can use for free or on a subsidised basis. (IEG and IFC, 2016, Instructions for Preparing an XPSR: Expanded Project Supervision Report)

PSD ratings were declining prior to the assessment period, reaching a low of 56% in CY-2015-17. They have since recovered to 62% in CY2019-21.

Figure 18. IFC Investments: Private Sector Development

Source: IEG data for XPSRs.
As noted previously, portfolio AIMM scores provide some indication on the likelihood that the existing portfolio is likely to contribute to private sector development given that several factors that contribute to the overall AIMM score align with this concept. Scores are not disaggregated, however, by different themes and indices. Nevertheless, the positive trajectory of portfolio scores provides an indication of the likely contribution made by existing projects. Average portfolio AIMM scores increased from 45 in FY21 to 47 in FY22 across approximately 1040 projects.

**Development Outcomes for AS projects:**

As noted previously, AS projects received ratings for development outcomes based on delivery of outputs, achievement of outcomes and contribution to impacts. Overall, outcome achievement has followed a similar trajectory to IS projects, whereby a downward trajectory prior to the assessment period has been followed by a rebound in scores. AS development outcome ratings increased from 39% “positive” in FY2015-17 to 60% in FY2019-21. Impacts are much harder to demonstrate and ratings are suitably lower than for outcomes. Ratings increased from 18% positive in FY2015-17 to 32% in FY2018-20, before falling slightly to 28% in FY2019-21.

**Figure 19. Results for IFC Advisory Services**

Validated IEG-Data

![Graph showing development outcomes](image)

**Element 5: IFC reports the percentage of satisfied client in its scorecard, for both investments and advisory services, with a target of 85%. IFC restructured the survey in FY21. In FY22, the restructured survey indicated a combined satisfactory rate for AS and IS of 91%**

Client satisfaction was on an upward trajectory at the beginning of the assessment period, exceeding this target between FY17-19. In FY20, client satisfaction dropped to 79%, partly due to the effects of the COVID-19 pandemic (Figure 13). IFC acknowledged this decrease and informed the Executive Board that they would conduct a deep dive to identify drivers.

As noted above, IFC restructured and streamlined during the pandemic its client survey such that results cannot be directly compared to previous years. The new survey combined IS and AS given that these products are viewed as a combined offering and real-time information was deemed valuable for course correction. The survey was designed to capture satisfaction scores at the investment, advisory and upstream level by using questions related to the type of service they received from IFC. Results for FY22 indicated a combined rate of 91% satisfactory for AS and IS.

Results from the FY22 survey indicate broad client satisfaction in a number of areas, including:

- 81% of clients were satisfied with IFC support to advance gender equality;
- 78% of clients were satisfied with IFC support to address climate mitigation and adaptation;
- 87% of clients were satisfied with IFC’s support in providing blended concessional finance;
- 91% of clients were satisfied with IFC’s support in addressing broad sectoral, regional, business environment, regulatory and government relations issues;
- 81% of clients were satisfied with the timeliness of IFC’s services;
- 75% of clients were satisfied with the support provided during the COVID-19 crisis; and
- 85% of upstream clients were satisfied with IFC support with respect to government relations, access to government and policy experience.

### Figure 20. IFC Client Satisfaction

Percent of clients satisfied

<table>
<thead>
<tr>
<th>Year</th>
<th>Advisory services</th>
<th>Target</th>
<th>Investments</th>
<th>Joint</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td>75%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>77%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td>79%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td>81%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY20</td>
<td>83%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td>85%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY22</td>
<td>87%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Source for FY10-FY13 data: FY14 Business Plan and Budget paper. Source for other data: Multiple “Strategy and Business Outlooks” and budget papers. Note, the client survey was restructured in FY21 and the data from FY22 is from that restructured survey.

### MI 9.1 Evidence confidence

High Confidence

### MI 9.2: The MO supports the achievement of project objectives in its work with clients.

<table>
<thead>
<tr>
<th>MI rating</th>
<th>MI score</th>
<th>Score</th>
<th>Source document</th>
</tr>
</thead>
<tbody>
<tr>
<td>MI rating</td>
<td>MI score</td>
<td></td>
<td>Source document</td>
</tr>
<tr>
<td>Element 1: The MO’s front-end support to investments, including screening, appraisal and structuring supports the achievement of project objectives.</td>
<td>3</td>
<td>Satisfactory</td>
<td>56, 72, 81, 83, 257</td>
</tr>
<tr>
<td>Element 2: The MO’s supervision and administration of active investments supports the achievement of project objectives.</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Preface to the Analysis:**

Following a downward trend prior to the assessment period, IFC’s work quality for IS and AS projects improved throughout the assessment period.

IFC XPSRs and IEG validations also address work quality, including both front-end work quality and supervision work quality. These issues are discussed separately in elements 9.2.1 and 9.2.2, below. These are consolidated into overall ratings for work quality. IFC management has committed to review the drivers behind lower work quality in Africa and FCS countries. (IEG WBG RAP, 2022).

IFC’s work quality ratings for investments were on a downward trajectory prior to the assessment period, falling to 51% rated “positive” in CY2016-18. They subsequently improved somewhat, to 60% in CY2019-21 (Figure 24), following a deep-dive by IFC and IEG into the reasons and implementation of a subsequent action plan.
IFC’s work quality ratings for advisory services had been on a similar downward trajectory until CY2016-18 (48% rated positive) but improved to 57% in CY2019-21 (Figure 25), also following a deep-dive by IFC and IEG into the reasons and subsequent action plan.

Element 1: IFC’s screening, appraisal and structuring ratings for investments improved throughout the assessment period following a previous downward trajectory.

Investments:

IFC’s screening, appraisal and structuring ratings for investments improved from 47% rated positive in CY2015-17 to 59% rated positive in CY2019-21. Regional differences in work quality have been observed to match those for development outcomes, with the Africa region demonstrating the lowest ratings for work quality.

IEG has noted a clear correlation between front-end work quality and achievement of development outcomes. If IFC’s screening, appraisal, and structuring rating is low, “there is a 34 percent chance that a project will also receive a low development outcome rating. This aspect of IFC’s work quality reflects IFC’s due diligence conducted on the project and the sponsor, as well as the structuring of the project in a manner that mitigates risks and ensures that the sponsor meets IFC’s requirements.” (IEG WBG RAP, 2022)

The link between work quality and development outcome “is stronger in projects that are rated at the low end of the rating scale—84 percent of projects rated low (unsatisfactory) on work quality are rated highly unsuccessful on development outcome...and there is no chance of getting a positive development outcome rating if IFC’s work quality is rated unsatisfactory.” (IEG WBG RAP, 2022) Improvement in front-end work quality throughout the assessment period have mirrored improved development outcome ratings throughout the assessment period, with a positive trajectory for work quality and development outcome ratings going forward.

Starting in 2018, IFC’s management made efforts to improve the quality of self-evaluations through the Expanded Project Supervision Reports (XPSRs). The IEG’s 2021 RAP recognizes that following that initiative, the share of XPSRs nominated as best practices increased from 12 percent in evaluation year 2016 to 20 percent in evaluation year 2019. These efforts also increased the dialogue between IFC and IEG on project self-evaluations and reduced IEG-IFC ratings variance from 31 percent in CY2015-17 to 8 percent in CY2017-19.

IFC’s performance for front-end work quality relative to overall work quality over the assessment period is reflected in Figure 21. According to IFC’s client surveys, client satisfaction with IFC services during FY18 to FY22 has averaged 93%; however, clients only have a partial view of IFC’s work quality.

Figure 21. IFC’s Work Quality and Components
Advisory Services

For AS projects, the work quality rating for project preparation and design is based on the following criteria, when applicable:

- proper market or needs assessment;
- project concept and objectives;
- client appropriateness, commitment and involvement in early on in project preparation and design;
- adequacy of key stakeholder/partners consultations and involvement;
- risk appraisal and mitigation measures;
- project design; and
- M&E plan, framework and Indicators” (Guidance for AS-PCRs for Ratings, 2020).

IFC’s front-end work quality for AS (project preparation and design) had a similar trend as overall work quality. All work quality aspects for AS projects have been rated since 2015. Front-end work quality initially declined prior to the assessment period, from 65% rated positive in FY2013-15 to 40% in FY2016-18. Performance then rebounded to 50% in FY2019-21, following an IFC-IEG deep-dive into the reasons underlying weak performance. This trajectory is illustrated in Figure 22.

The main reasons for the poor AS work quality at the beginning of the review period were reportedly manyfold and included weak accountability and incentives (there was no longer a VP-Advisory Services), weak institutional support and effects of reorganisations and transitions. Specifically, there was a lack of strategic focus on results and M&E, lack of strategic oversight and supervision, including discontinued portfolio reviews, loss of central knowledge resources, etc.

Figure 22. Work Quality for IFC Advisory Services

Validated IEG-Data

Source: PCR Data provided by IEG.
Element 2: IFC’s supervision and administration ratings for Investments have generally been positive, declining slightly in the final years of the review period. IFC’s supervision and administration quality is correlated with development outcomes.

**Investments:**

Supervision and administration support after project approval by the Board of Executive Directors and subsequent IFC investment commitment is one of the dimensions assessed by IEG as part of its work quality indicator.

IFC’s supervision for investments has traditionally been rated more highly than its front-end work quality.

However, unlike work quality IFC’s supervision and administration quality has seen a slight downward trend throughout the assessment period, from 76% positive in CY2015-17 and CY2017-19 to 70% positive in FY21 (see Figure 23). Stakeholders indicated some possible reasons for this decline as being difficulties in engaging with clients during the pandemic and increased fragmentation of accountabilities for supervision.

Like front-end work quality, there is a positive relationship between the quality of supervision and administration and a successful development outcome rating such that “a positive rating on the quality of supervision and administration increases the likelihood of a successful development outcome by 44 percent” and “effective monitoring and supervision ensure that risks are addressed during implementation and that the client and project meet IFC’s requirements and provide IFC with a chance to offer its knowledge and expertise to the project and client.” (IFC WBG RAP 2022)

**Figure 23. IFC’s Work Quality and Components**

Advisory services

For AS, the work quality rating on implementation and supervision “is based on the following criteria, when applicable:

- focus on development results;
- timeliness of product delivery and product quality;
- supervision and reporting;
- staffing;
- proactive client and stakeholder engagement and follow-up; and
- quality of monitoring and evaluation.” (Guidance for AS-PCRs for Ratings, 2020).

Validated work quality ratings for AS were on a downward trajectory until FY2016-18 when they stood at 58% rated positive. They then rebounded between evaluation years 19 and 21, improving to 65%. Like IS projects, improvements in AS work quality have accompanied corresponding improvements in overall AS development effectiveness ratings. As noted above, work quality improved following an IFC-IEG joint deep dive in FY17.
**MI 9.3: Interventions assessed as having helped improve environmental sustainability/tackle the effects of climate change.**

<table>
<thead>
<tr>
<th>MI rating</th>
<th>MI score</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Element 1: The MO’s operations, fund portfolios and sub-portfolios have contributed to its strategic objectives with respect to gender.</td>
<td>3</td>
<td>High Confidence</td>
</tr>
<tr>
<td>Element 2: The MO’s operations, fund portfolios and sub-portfolios have contributed to its strategic objectives with respect to climate change.</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Element 3: The MO’s operations, fund portfolios and sub-portfolios have contributed to its strategic objectives with respect to fragility, conflict and violence.</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Element 4: The MO’s operations, fund portfolios and sub-portfolios have contributed to its strategic objectives with respect to market creation.</td>
<td>Not Rated</td>
<td></td>
</tr>
</tbody>
</table>

**MI 9.3 Analysis**

**Element 1: IFC reports on gender-related targets agreed as part of its commitments related to the 2018 capital increase package (CIP) as well as gender-disaggregated indicators from its investments that capture IFC’s contribution to addressing gender gaps. There is opportunity to enhance the reporting of outcome contribution and the AIMM system will likely enable it to do so as the portfolio matures.**

IFC’s retrospective of its implementation of the World Bank Group Gender Strategy (2016-23) identifies important progress made in addressing key corporate commitments linked to gender, including:

- Increasing the share of women directors nominated to IFC Board seats from 36% in FY19 to 62% in FY23;
- Increasing the proportion of gender-flagged IS operations from 6% in FY19 to 33% in FY23;
- Increasing the proportion of gender flagged AS projects from 42% in FY19 to 57% in FY22 (55% in FY23); and
- Increasing the total LTF (own account) investment volume implementing a gender lens from USD 1.19 billion in FY19 to 8.99 billion in FY23.

Gender flagging reflects a theory of change for addressing gender gaps from outputs to outcomes. The share of IS Gender projects flagged was 6% in 2019, 15% in 2020, 15% in 2021, and 21% in 2022. As noted in MI 5.5, above, IFC monitors gender gaps and its efforts to reduce them as part of individual investment, advisory and upstream M&E frameworks through standardised indicators. AIMM plays a role in this process in addressing gender and inclusion by incentivising projects to address inclusion at approval and supporting the monitoring of indicators as projects enter the portfolio. A similar approach is adopted for AS and upstream projects through a gender lens and semi-standardised indicators. The share of client-facing AS Gender projects was 42% in 2019, 37% in 2020, 43% in 2021, and 57% in 2022. The AS corporate target of 40% for FY19-22 was met and progressively surpassed as of FY21. The AS corporate target of 40% in FYs 19-22 was increased to 45% in FY23.

As noted in 2.1.3, IFC monitors a range of gender-disaggregated indictors throughout its operations to demonstrate its reach and contribution to addressing gender gaps, with some of these data being reported in Annual Reports. For IS projects, these include: (i) the percentage of women on boards and in senior management for IFC’s investments; (ii) proportion / number of female students reached; (iii) female employees; (iv) share and volume of micro and SME loans going to women-owned and led SMEs. For AS projects, these include: (i) number of female employees reached; (ii) number of SMEs and women business owners reporting improved knowledge and skills; (iii) female farmers reached; (iv) women users; and (v) number of women trained.

Annual Reports have noted improved progress against these indicators since Calendar Year 2021. Across IFC Investments: (i) The proportion of board seats held by women increased from 13% in CY21 to 17% in CY22;
(ii) the proportion of senior management positions held by women increased from 25% in CY21 to 31% in CY22; (iii) Fund Investee Companies’ proportion of senior management positions held by women increased from 30% in CY21 to 31% in CY22; and (iv) the proportion of investees owned/founded by women increased from 15% in CY21 to 17% in CY22.

Industry-level results for key indicators are provided in the tables below, demonstrating particular progress in increasing female employment. It is important to note, however, that data is not strictly comparable from year to year because IFC portfolio companies change. These tables do not depict a trend analysis.

Table 23. Number of board seats held by women

<table>
<thead>
<tr>
<th>Industry</th>
<th>CY21</th>
<th>CY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness and Forestry</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>Disruptive Technology</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>21%</td>
<td>17%</td>
</tr>
<tr>
<td>Funds</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>Health and Education</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>10%</td>
<td>17%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Telecommunications and IT</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>Tourism, Retail and Property</td>
<td>43%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Table 24. Proportion of Senior Management Positions held by Women

<table>
<thead>
<tr>
<th>Industry</th>
<th>CY21</th>
<th>CY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness and Forestry</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Disruptive Technology</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>28%</td>
<td>40%</td>
</tr>
<tr>
<td>Funds</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>Health and Education</td>
<td>63%</td>
<td>33%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>32%</td>
<td>12%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>3%</td>
<td>23%</td>
</tr>
<tr>
<td>Telecommunications and IT</td>
<td>28%</td>
<td>22%</td>
</tr>
<tr>
<td>Tourism, Retail and Property</td>
<td>57%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Table 25. Female Employment

<table>
<thead>
<tr>
<th>Industry</th>
<th>CY21</th>
<th>CY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness and Forestry</td>
<td>113,538</td>
<td>100,586</td>
</tr>
<tr>
<td>Disruptive Technology</td>
<td>20,767</td>
<td>33,355</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>235,635</td>
<td>675,839</td>
</tr>
<tr>
<td>Funds</td>
<td>3,456</td>
<td>16,011</td>
</tr>
<tr>
<td>Health and Education</td>
<td>153,626</td>
<td>174,607</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>32,919</td>
<td>36,392</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>118,902</td>
<td>181,378</td>
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<tr>
<td>Natural Resources</td>
<td>1,571</td>
<td>612</td>
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<tr>
<td>Telecommunications and IT</td>
<td>3,309</td>
<td>5,649</td>
</tr>
<tr>
<td>Tourism, Retail and Property</td>
<td>56,823</td>
<td>88,316</td>
</tr>
</tbody>
</table>

Despite this progress, IFC is not yet in a position to report on the proportion of gender flagged projects that have achieved targets for addressing gender gaps. The forward-looking 2024-2030 World Bank Group Gender Strategy will address this issue by improving project level monitoring and evaluation to facilitate
reporting on and assessing gender outcomes in all gender tagged and flagged operations. Currently, challenges in collecting and aggregating this information arise from inconsistent monitoring of gender outcomes for projects, including challenges in obtaining gender disaggregated data from clients, and inconsistent reporting of Gender outcomes in CPFs. Moreover, the portfolio of gender flagged IS operations is immature and reporting for some projects will occur after three years. Additionally, stakeholders noted that the strengthening of the AIMM framework (expected to complete FY24) will further identify the number of projects that achieve their gender targets in a systematic way.

**Element 2:** IFC continues to aggregate and report expected GHG emissions from its projects. Although IFC does not yet report on actual GHG savings from projects, AIMM monitoring includes a range of climate change mitigation and adaptation indicators that identify the extent to which projects deliver their intended contribution to climate outcomes.

On climate, see also KPI 7 (7.1, Element 2 and 4). In brief, the IFC Scorecard contains an indicator showing percent of own-account long-term finance commitments (target: 35%) related to climate. This target has been achieved, but it is an input-measure, rather than a results measure. IFC used to have until FY17-19 expected GHG emission reductions in its scorecard. According to interviews (and Assurance Provider statements), actual GHG emission reductions are not systematically tracked.

**Expected** GHG emissions are still reported in the WBG Scorecard (96, 133, 158 and 194 million tons of CO2 equivalent in FY2019-2022, respectively), and IFC continues to aggregate and report GHG emissions reductions from IFC investments. However, these data reflect expected emissions reductions ex-ante rather than actual calculations ex-post. Similarly, whereas 599 projects were climate tagged between FY18 and FY22, there is no aggregated information about climate results.

IFC has been reporting the GHG emissions reductions of projects it has financed since FY20 in its Annual Report; however, the consistency of reporting could be improved across the portfolio. Emissions reductions were not reported for IFC-financed projects in FY20, were reported in FY21 (12 million tons CO2 equivalent) and were partially reported in FY22, with data missing on reductions brought about by direct lending. However, in FY22 IFC did report that 75% of its active climate partner FIs used IFC’s Climate Assessment for Financial Institutions (CAFI) platform and reported estimated emission reductions of 19.5 million tons CO2 equivalent.

IFC’s AIMM process supports the ongoing monitoring of climate change-related indicators across projects with a credible sustainability claim. AIMM Guidance documents for Green, Blue, Social and other Sustainability Bonds as well as Climate Mitigation and Adaptation identify a range of gap and intensity indicators across different sectors at the country level that are followed up during supervision, including: (i) sector share of GHG emissions (mitigation); (ii) energy consumption per square foot energy efficiency; and (iii) University of Notre Dame GAIN Index for Climate Vulnerability and Adaptation. In the case of mitigation, project monitoring tends to be based on efficiency measures such as evidence of reduction in energy used or evidence that the level of targeted GHG savings were achieved. As the portfolio matures, IFC is likely to be in a position to report on the proportion of projects that achieve their targeted contribution to adaptation and mitigation outcomes.

**Element 3:** IFC’s development outcome ratings for projects in fragile and conflict-affected situations (FCS) have fallen in recent years, but overall investments have increased throughout the assessment period.

**Investment Services Projects:**

Compared to the first half of the review period (FY17-19), the volumes of both long-term finance (LTF) and short-term finance (STF) investments have more than doubled (from USD 1.2 billion to USD 2.8 billion for LTF and from USD 2.7 billion to USD 6.3 billion for STF, Figure 24). This reflects IFC’s commitment to scale up investment in FCS countries in line with the Forward Look and IFC 3.0.
Note: Note that IFC takes the WBG country classification for FCS for a given fiscal year, but unlike the WBG IFC keeps projects classified as FCS for 3 years afterwards. This appears appropriate since projects take time to develop and a country situation typically does not immediately change from being FCS to being non-FCS.

Source: Data provided by IFC.

However, development outcome ratings for FCS have been on a downward trend throughout the assessment period. IEG found that IS projects in FCS rated “positive” peaked at above 60% in 2015-17, declining to 20% in 2019-2021. This trend is observed across all industries, type of instrument and size of investment commitment. Projects in FCS tend to have weaker ratings across all four indicators of development outcome—business performance, economic sustainability, E&S effects, and private sector development—compared with projects in non-FCS. “(IFC WBG RAP 2022). Furthermore, projects in FCS also have “lower rating than projects in non-FCS for supervision and administration, one of two indicators of IFC’s work quality, which has a greater effect on overall work quality and IFC’s development outcome ratings.” (IFC WBG RAP 2022).

Investments in FCS face comparatively higher risks, contributing to these relatively lower development outcome ratings. IFC’s management comments emphasise that the analysis needs due consideration of the impact of COVID-19 and polycrisis, which has exacerbated pre-existing weaknesses. “The private sector in emerging markets have faced unprecedented challenges in recent years, resulting in several negative contextual factors such as depressed and changing patterns of demand, reduced access to capital, rising bankruptcies and persistent uncertainty.” (IFC WBG RAP 2022).

Although ex-ante A1MM scores for IS in FCS have consistently been higher than projects in non-FCS (fluctuating between 61 and 56 against an institutional average of 46-53), the high-risk context of these projects means that ex-ante scores should be interpreted with caution.

IFC management has noted the differential development outcome ratings in FCS and non-FCS countries and has expressed an openness to work on examining this issue more closely with IEG. Stakeholders confirmed that a deep dive analysis is currently being conducted to examine the performance of IFC’s operations in FCS, particularly Africa. Some stakeholders noted that recent challenges pertaining to supervision may be playing a role with respect to more fragmented processes and roles and responsibilities. Furthermore, COVID-19 made it much more difficult to engagement with clients.

This evidence needs to be taken with caution given the limited number of projects validated by IEG as just 19 of the 216 projects assessed between 2019-21 were in FCS. However, despite the difference in sample size, the difference in the proportion of positively rated projects remains statistically significant against non-FCS projects and against a synthetic sample of projects assuming 50% rated positive ($p < 0.02$). Because not all projects are subject to an XPSR there is always a risk that selection bias may exert an influence.
Nevertheless, the scale of the difference and the consistent trend across three year cycles suggests that the performance of IFC’s IS in FCS has been lower than for non-FCS projects with the majority of projects falling short of positive performance.

**Advisory Service Projects:**

Compared to IS projects in FCS countries, the performance on AS projects has been on a positive trend, in part due to actions taken in response to the joint IFC-IEG deep dive on Advisory Services. Key changes include locating more IFC As team leads in the field, reducing turnover, and implementing projects of a more limited size and duration to avoid impacts from exogenous factors. Although development effectiveness ratings for AS in non-FCS countries outpace those in FCS, the proportion of projects rated MS+ increased from 30% for the 2016-2018 cohort to 55% for the 2019-2021 cohort (Figure 25).

**Figure 25. Development Outcome Ratings for IFC Projects**

![Graph showing development outcome ratings for IFC projects](image)

Source: IEG (2023) "Results and Performance for the World Bank Group FY22"

**Element 4: The share of projects with very strong market potential halved from FY18 to FY21, partly due to the influence of COVID-19. Data are not yet sufficient to determine whether projects with very strong market potential deliver their expected results in this area.**

The IFC scorecard began reporting on projects "% with very strong market creation potential" in the SBO FY20-22. FY18 baseline was 10% and the FY19 target was 15%. The actuals were FY19: 12%, FY20 8%, FY21: 5%. FY22: 11%. A target of 18% has been identified for the years 2023-25. IFC’s general portfolio AIMM scores are on an upward trajectory, increasing from 45 in FY21 to 47 in FY22.

IFC stated that “A contributing factor for this drop-off was the emergence of the COVID-19 crisis. COVID-19 prompted IFC to invest heavily in supporting existing clients’ operations and strongly affected its ability to commit longer-term, capital-intensive projects typically found in transformational interventions with “Very Strong” market creation potential. As the crisis abates and Upstream activities take hold, IFC expects the re-emergence of a more robust pipeline of market creation projects.” (IFC Annual Report FY22) As indicated above, the percentage of projects with very strong market creation potential rebounded in FY22 to 11%.

A 2020 Report to IFC’s Board toward a “Proposed Investment in IFC Fast Track COVID-19 Facility” noted that a departure would be taken in AIMM scoring for new projects under the facility, acknowledging the shift toward market preservation rather than market creation explicitly. The report notes that “many private companies are in critical need of payment term extensions on their trade transactions or require additional liquidity to support operations amidst lower production orders. Helping private sector companies to continue to operate is key to job preservation and to further limit the downside of demand retraction.” In
this context, “IFC’s additionality in the IFC Facility is driven largely by our countercyclical role during crises, especially at a times when other lending institutions or investors’ appetite may be subdued.”

As a result, IFC reported that it would not use the traditional AIMM construct to assess projects that are part of the crisis response package. Instead, all sub-projects received a standard AIMM rating based on an overall assessment for the facility. The report states that “The development impact thesis shared by all projects under the IFC Facility is that by supporting clients’ capacity to sustain operations during an acute shock, IFC best positions the private sector to support the economic recovery process, shortening the time it will take for the most vulnerable to return to their traditional income-earning opportunities.” MOPAN therefore considers that it is not yet fully possible to rate IFC’s performance in this area due to contextual factors frustrating full implementation as intended.

Because of the relatively recent introduction of the AIMM system and the time lag between project approval and operating maturity, it is not yet possible to examine the linkage between positively rated market creation potential and validated development outcome ratings. However, as discussed in KPI 7, IFC is accumulating portfolio and ex-post ratings toward being able to conduct such an assessment and is working to create meaningful feedback loops.

Such an analysis may be beneficial in future to understand the relationship between IFC’s ex-ante ratings for market creation potential and results achieved. As noted above, differences between the AIMM and the XSPR methodology, weak integration of IFC’s investments and advisory services in CPF results frameworks and the limited number of Country Partnership Evaluations produced each year may pose important constraints in determining IFC’s contribution to broader market outcomes and impacts.

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<thead>
<tr>
<th>MI 9.3 Evidence confidence</th>
<th>High Confidence</th>
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<table>
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<tr>
<th>KPI 10: The MO’s investments and other operations demonstrate alignment with needs with respect to key principles of private sector development, including: (i) financial and non-financial additionality; (ii) alignment with country and sector strategies; and (iii) cross-cutting themes.</th>
<th>KPI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>3.08</td>
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IFC’s additionality and “role and contribution” for investments and AS have improved over the latter half of the assessment period. Whereas nearly all IS demonstrate clear financial additionality, the realisation of expected non-financial additionality has been more uneven. This has been due to ongoing gaps in systems for tracking and monitoring the realisation of expected non-financial additionality, including through AS. Both IS and AS projects reflect key areas of support identified in country strategies and country development priorities. Although progress has been made in promoting alignment of investments to cross-cutting themes, there is opportunity to enhance the reporting of contributions to outcomes. AIMM has provided a credible system for ensuring investment projects demonstrate potential development impact ex-ante and promoting alignment with relevant sector strategies and could potentially fill this gap as the portfolio under assessment matures.

<table>
<thead>
<tr>
<th>MI 10.1: The MO’s investments demonstrate additionality (as defined per the MDB harmonised framework for additionality).</th>
<th>Score</th>
</tr>
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<tbody>
<tr>
<td>MI rating</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>MI score</td>
<td>3.25</td>
</tr>
<tr>
<td>Element 1: The MO’s investments demonstrate financial additionality in terms of not crowding-out private sector sources, access to finance, terms of finance or mobilisation.</td>
<td>3</td>
</tr>
<tr>
<td>Element 2: The MO’s investments demonstrate tangible non-financial additionality (in terms of reduction of risk, improvement of business practices or improvement of operations design demonstration effects, replicability to other markets or larger scale), particularly where financial additionality is more limited.</td>
<td>3</td>
</tr>
<tr>
<td>Element 3: The MO’s approved investments demonstrate credible ex-ante assessments of additionality and development impact.</td>
<td>3</td>
</tr>
<tr>
<td>Element 4: The MO has systems and processes in place to review the economic rationale for providing blended concessional finance for individual transactions.</td>
<td>4</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>MI 10.1 Analysis</th>
<th>Source document</th>
</tr>
</thead>
</table>
**Element 1: Nearly all IFC IS projects demonstrate financial additionality ex-ante and IFC has a high rate of success in realising anticipated financial additionality.**

IFC defines additionality as “the unique contribution that it brings to a private investment project that is typically not offered by commercial sources of finance.” ... IFC’s unique value is rooted in its comparative advantage over the private sector in bridging the gap between private and public sectors, leveraging its global expertise and knowledge, investing in markets perceived as too risky for the private sector, and taking a longer-term view than other investors.” (IFC Additionality Framework, 2018) As discussed in KPI 4, IFC introduced a new Additionality Framework at the outset of the assessment period, aligned to the Multilateral Development Banks’ Harmonised Framework for Additionality in Private Sector Operations.

Financial additionality is based on the features of the financial package offered by IFC, including the financing structure (such as longer tenors and provision of local currency financing), resource mobilisation (from the private sector or other DFIs), innovative financing (such as derivatives and green bonds), and own account equity. In presenting the financial additionality of a project, IFC bankers can draw upon up to 40 different examples reflecting the MDBs’ Harmonised Framework for Additionality.

A 2020 IEG review of MDB Approaches to additionality notes that each IFC additionality proposition in project appraisals is expected to be matched against local market terms and conditions (rather than e.g., assertions such as ‘no similar finance or advice is available’). This means, for financial additionality a comparison with existing loans and bond issues and their tenor, deal size and spreads (where possible). IFC sector economists from the Development Impact Measurement team play a substantial role in enhancing quality and reviewing evidence for anticipated additionality claims, as they do for development impact claims. The IFC Global Macro and Market Research team provides data to support anticipated financial additionality claims.

IEG’s 2020 RAP indicates that 60% of IEG-validated projects between 2012 and 2020 demonstrate both financial and non-financial value-added from IFC. An additional third of projects identified only financial additionality from IFC. IEG indicates that, at least in Middle Income Countries, 82% of projects anticipate both financial and non-financial additionality. Financing structure additionality is the most common type of financial additionality, with equity and resource mobilisation being less common and innovative financing structure being identified only rarely. This evidence suggests that all or nearly all projects demonstrate some potential financial additionality ex-ante.

Whereas IEG validations do not provide disaggregated information on the realisation of financial and non-financial additionality across the portfolio, IEG’s 2022 evaluation of IFC’s Additionality in Middle-Income Countries found that IFC is “generally successful in realising financial additionality. Overall, 86.7% of [anticipated] financial additionalities were realised. Across each of these sub-types, “IFC has a relatively high rate of realising all of these sub-types of additionality as anticipated […] with loans offering the highest success rate and guarantees the lowest.” Several projects in IEG’s country case studies realised innovative financing structures without anticipating them. (All quotes from IEG IFC Additionality in Middle-Income Countries – MICs, 2023.

**Element 2: Available evidence suggests most IFC projects realise non-financial additionality; however, at a lower rate than financial additionality.**

Non-financial additionality measures the improvements that can be attributed to MDBs’ long-term client partnerships, or their involvement in designing private sector operations, such as leveraging policy or regulatory reform, raising standards, or putting in place necessary risk mitigants, building capacities, and frameworks or systems” (Multilateral Development Banks’ Harmonized Framework for Additionality in Private Sector Operations 2018). IFC considers non-financial additionality in terms of: (i) non-commercial risk mitigation; (ii) Policy, Sector, Institutional, or Regulatory Change; (iii) Standard Setting: Helping Projects and Clients Achieve Higher Standards; and (iv) Knowledge, Innovation, and Capacity Building (Multilateral Development Banks’ Harmonized Framework for Additionality in Private Sector Operations 2018).

The IFC Additionality Framework highlights the importance of a clear analysis and accurate depiction of a counterfactual, which should explain “what would have happened without IFC’s involvement.” It also

| Element 1 | 225 |
| Element 2 | 24, 72, 80, 118, 153, 211, 252, 254, 308 |
requires specificity regarding IFC’s contribution and what concrete actions IFC will take along with a clear specification of the delivery mechanism. Finally, it notes that care should be exercised in distinguishing between agreed engagements at the time of the Board approval versus possible engagements, to avoid the risk of overclaiming.

IEG’s review of Additionality in MICs noted found that 82% of IFC projects anticipated both financial and non-financial additionality, indicating that a high proportion of IFC projects anticipate nonfinancial additionality ex-ante. A portfolio review indicated that project approval documents systematically address IFC’s anticipated finance and non-financial additionality and present this information in line with internal guidelines. IFC sector economists from the Development Impact Measurement team play a substantial role in enhancing quality and reviewing evidence for anticipated additionality claims, as they do for development impact claims (IEG IFC Additionality in Middle-Income Countries – MICs, 2023; also confirmed by ECG Review of MDB Additionality, 2020). The role of AIMM in providing credible assessments of additionality is discussed further in element 10.3.1, below.

As demonstrated in the preface to this analysis, IFC’s ex-post validated ratings for additionality had been on a downward trajectory prior to the outset of the assessment period, reaching 54% rated “positive” in FY18. By 2019 to 21, the projects rated satisfactory of higher for IFC’s additionality had climbed to 61%. These data do not allow for disaggregation between financial and non-financial additionality, but most projects benefitted from a combination of the two (IEG RAP, 2022).

However, IEG’s evaluation of additionality in MICs found that although 82 percent of projects examined anticipate both financial and nonfinancial additionality, only 60 percent realize both. Furthermore, financial additionalities were much more likely to be realised (87%) versus anticipated non-financial additionalities (63%). This is because financial additionality is typically built into the design of IFC’s financing and, therefore, realised upon disbursement. Non-financial additionality, however, is realised over time and often requires planning and continuous engagement. (IEG IFC Additionality in Middle-Income Countries – MICs, 2023). Realisation of additionality varies by sub-type, with standard setting being most likely to be realised and knowledge innovation and capacity building and changes in policy or regulatory frameworks being least likely (albeit with a low sample size).

IEG has identified the non-delivery of anticipated advisory services as a notable challenge. Advisory Services are an important means of delivering non-financial additionality in MICs (e.g., for 37% of projects in LMICs identifying anticipated non-financial additionality). However, in practice, where investment projects anticipate non-financial additionality delivered in this way, delivery of planned AS occurred in only 57% of cases.

For advisory services (AS), IEG rates “IFC role and contribution”, a concept almost identical to additionality. It is defined as “the extent to which IFC added value or made a special contribution to the client” and a Satisfactory rating is defined as “IFC’s role and contribution were in line with its operating principles, i.e., IFC had additionality”. The key questions for this indicator identify extent IFC brought additionality or made a special contribution to the AS, including:

- Was IFC especially pioneering or innovative?
- Was it particularly catalytic in this case?
- Did it enter a crowded field and provide AS that others could have provided?
- Was IFC able to play a unique role not easily filled by others?
- Did it leverage key areas of expertise, draw on its credibility and global experience, or links to the World Bank Group?
- To what extent did IFC provide assistance and direction that yielded greater development results than would have been the case absent IFC’s involvement? (IFC AS PCR Guidelines 2020)

Where IFC delivered its usual role and contribution, this element is typically rated as satisfactory. Similar to other indicators, IFC’s role and contribution for advisory services had been on a downward trend prior to the assessment period, reaching 66% rated positive in 2018. Following the joint IFC-IEG deep dive, performance improved to 80% rated positive in 2021 – making it one of the best-rated indicators (second only to output achievement). (Figure 26)
Element 3: IFC rates ex-ante all new investment projects through AIMM, providing a numeric score assessing the expected development impact. This score is also externally assured. IFC also has a very comprehensive ex-ante system for assessing its additionality; however, weaknesses remain in monitoring additionality.

As noted in KPI 4, IFC implemented a revised Additionality Framework in FY18 that was meant to introduce greater rigour and structure in ex-ante assessments of additionality as well as incorporate elements from the MDB Harmonised Framework for additionality.

On IFC’s overall ex-ante assessment of additionality, the 2020 ECG Report on Additionality found that “Perhaps the most comprehensive approach is taken by IFC, which offers a summary explanation of ‘Why IFC?’, a detailed explanation on each of the expected additionality sub-headings under financial and non-financial additionality and a table providing a summary description of each component, a monitoring indicator, its timing and delivery mechanism.” IFC, ex-ante also provides publicly available information, a brief description of additionality, including its sources, alongside expected development impact, in the “Summary Investment Information”. See, however Element 1 on the weakness of tracking additionality.

Additionality is considered a team responsibility with involvement from investment teams, Global Macroeconomic and Market Research teams and Country Managers and Country Engagement Economists. Investment teams produce a draft justification at the concept review stage, investment review stage and for presentation in Board papers. Claims of financial additionality are reviewed against country specific benchmarks to ensure credibility. Monitoring of additionality throughout implementation, however, is an ongoing challenge recognised by IFC’s additionality framework. Monitoring of additionality used to be performed through DOTS, albeit unsystematically, but this is no longer happening. There is currently a push for better incorporation of additionality in AIMM monitoring through a dedicated system; however AIMM reporting currently takes place through excel spreadsheets. Stakeholders noted that the monitoring system for additionality is expected to be in place by the end of FY24.

As discussed above, IFC’s AIMM system plays an important role in identifying credible claims of non-financial additionality ex-ante. The AIMM and Additionality assessments are separate entities at IFC and undertaken independently. However, non-financial additionality claims are connected to AIMM in the sense that they articulate how IFC, as partner to the client, can strengthen and ensure the development outcome and impact of investments. IFC developed an ex-ante impact assessment tool—the Anticipated Impact Measurement and Monitoring (AIMM) system in 2017 (see KPI 7). At the end of the assessment period, IFC had assessed over 1,400 investment projects (committed and uncommitted) for their expected development impact. AIMM assesses a project’s development impact along two dimensions—the project outcomes and the market outcomes. The Project outcomes include the stakeholder effects, the economy-wide effects and the...
environmental effects of the project. The Market outcomes assessment include the assessment of the
effects of the project on market competitiveness, resilience, integration, inclusiveness and sustainability.

AIMM ratings are also externally assured by an assurance provider. However, as pointed out in the
discussion of KPI 7, while there is a strong focus on the consolidated AIMM score, the basis for the score
and implications for differences in project outcomes versus market outcomes is not clear (e.g., why project
outcomes and market outcomes have the same weight; why very strong is assigned at 56, strong 32,
moderate 14 and marginal 5; why low likelihood still gets a 60% value, etc.). Still, the 2020 ECG Report on
Additionality considered AIMM a “comprehensive impact system”.

Average ex-ante AIMM scores over the assessment period are presented below:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>FY18</th>
<th>FY19</th>
<th>FY19*</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex-ante AIMM</td>
<td>55</td>
<td>64</td>
<td>50</td>
<td>51</td>
<td>53</td>
<td>53</td>
</tr>
</tbody>
</table>

Score (average).

*: AIMM was rebased in FY19 from a maximum score of 160 to a maximum score of 100.

Sources: IFC Scorecards and Annual Report Assurance Statement.

IFC’s FY22 Annual Report also presents the percentage of projects rated Excellent (11%, AIMM scores 68-
100), Good (61%, AIMM scores 43-67) and Satisfactory (28%, AIMM scores 23-42). Ex-ante no projects are
rated “Low”. These data indicate that 72% of projects receive an ex-ante AIMM score of at least “good,”
beyond the minimum standard of satisfactory. IFC Stakeholders note that ex-ante AIMM scores tend to be
higher among Upstream projects and projects supported by the IDA PSW.

Element 4: IFC has comprehensive systems to assess the economic rationale for providing concessional
finance.

As identified in KPIs 1 and 6, IFC has a policy framework for blended finance and has played a leading role in
the Development Finance Institution (DFI) working group on blended concessional finance, which has also
developed principles for applying blended finance to private sector operations, which IFC applies.

IFC uses blended finance to maximize development impact. IFC Stakeholders indicated that by 2019,
different concessional finance windows, which were previously dispersed throughout the institution, were
brought together in one group at the same time there was a shift in strategy (brought about by the Capital
Increase Package – CIP and IFC 3.0) and as the IDA-PSW was opened. This allowed for the creation of a centre
of expertise and to gain synergies in concessional financing. This group tracks indicators related to blended
finance such as the share of projects supported by blended finance in IFC, by focus areas (gender, climate,
IDA/FCS, Agribusiness, SME Finance), the amount of subsidy, and end beneficiary level.

As noted in MI 4.1, blended finance pricing is based on the project-specific risks and market failures being
addressed by blended finance, the return expectation of the contributors of concessional funds, and the
blended finance structures selected to help de-risk the project and improve its bankability. IFC also
benchmarks the level of subsidy against previous transactions.

A Blended Finance & Donor Funds Committee oversees blended finance for investment, advisory service
(AS) fundraising and allocations, as well as AS transactions involving sizable grant disbursements (USD 1
million or more) to external clients/partners (IFC-AR-FY22 – Financials). “Members of IFC’S internal Blended
Finance Committee, consisting of senior leadership, are accountable for ensuring that all projects requesting
concessional resources adhere to the DFI Enhanced Blended Concessional Finance Principles for Private
Sector Projects. Particular attention is paid to calibrate the level of concessionality that a project supported
by concessional finance is receiving. The use of blended concessional finance starts with a case by-case
analysis to determine the appropriateness of blending concessional public with private finance, specifically,
the link to market failures and the effort to avoid undue subsidies to the private sector and undue risk for the public sector.” (IFC’s Blended Finance website, Transparency section).

IFC aims to disclose transparently the level of subsidy at the project level, along with the development rationale for the subsidy, a leading practice among DFIs. IFC describes the governance and transparency principles being applied to blended finance on its website, which appear to be best practice, particularly with respect to the project-level disclosure of concessionality, where IFC applies a standard methodology to measure the level of concessionality.

Timeseries data from FY18-22 indicates that cumulative blended finance commitments by theme increased from USD 0.9 billion to USD 3.2 billion. The majority of this growth is attributed to the IDA Private Sector Window, followed by bilateral and multilateral climate facilities. Overall average concessionality between FY18 and 22 was 4.2% of the total project cost. The highest concessionality was linked to local currency (by product), manufacturing, agriculture and services (by Industry) and FCS& LIC IDA (IDA PSW) by facility theme.

MI 10.1 Evidence confidence

High Confidence

MI 10.2: The MO’s investments and other operations demonstrate alignment with country and sector strategies.

<table>
<thead>
<tr>
<th>MI rating</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>MI score</td>
<td>Satisfactory</td>
</tr>
</tbody>
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Element 1: The majority of the MO’s approved investments and other operations reflect the key areas of support identified in country strategies and knowledge/analytical products.

Element 2: The majority of the MO’s approved investments and other operations reflect the policy priorities and impacts identified in relevant sector strategies.

Element 1: A review of projects approved between 2016 and 2022 for the selected country sample indicated that country project portfolios do generally reflect the key areas of support identified in IFC country strategies.

We reviewed the investments and advisory services approved during the review period (FY2017-22) in detail for 4 sample countries (Bangladesh, Kenya, Senegal and Serbia), comparing them against the goals in the country strategies. We also reviewed an additional 11 sample countries (Brazil, Cambodia, Ethiopia, Guatemala, India, Mozambique, Nepal, Pakistan, Papua New Guinea, Türkiye and Vietnam) more broadly for the extent to which operations appeared with IFC 3.0. The sectors selected for both investment and advisory services broadly aligned with the priority objectives identified in IFC’s country strategy strategic frameworks and WBG CPFs (as many of IFC’s priority objectives are incorporated into these). Advisory services also appear to be in line with the goal of IFC 3.0 – in particular creating markets.

IEG’s 2017 evaluation of IFC’s client engagement approach reviewed a small sample of programmatic interventions and found that they “were all intended to address identified high priority needs in the host countries’ development strategy and were highly relevant to IFC’s own strategic priorities” (IEG, 2017, The International Finance Corporation’s Approach to Engaging Clients for Increased Development Impact).

IEG rates strategic relevance only for Advisory Services. The key criterion for the rating is: “the extent to which the objectives are consistent with the country’s development priorities (at design and at closure), IFC or World Bank Group (WBG) country and sector strategies, and project client priorities” (IFC, 2020, Guidance: Advisory Services Project Completion Reports for Ratings). Ratings for strategic relevance were on a downward trajectory at the outset of the assessment period, at 64% rated “positive” in FY18. However, ratings then improved to 73% positive in FY21 and 72% positive in FY22. (Figure 27).
For investments, strategic relevance “should address the consistency of the project’s intended results with client and beneficiary needs, WB country priorities (i.e., alignment with Country Partnership Frameworks), and sector strategies. It should also state in what sense the project was expected to contribute to the IFC’s broad corporate goals (e.g., inclusion, shared prosperity, gender equality, and poverty reduction)” (IEG and IFC, Instructions for Preparing an XPSR: Expanded Project Supervision Report, 2016)

**Element 2: IFC ensures that projects reflect relevant sector strategies through the application of AIMM sector frameworks.**

IFC has developed 30 sector frameworks that “are a step-by-step guide to assessing IFC projects, providing an analytical frame to facilitate judgments of a project’s expected outcomes and contribution to market creation” [https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/aimm](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/aimm).

These sector frameworks are utilized in providing project ratings and judgements to ensure alignment.

### MI 10.2 Evidence confidence

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<thead>
<tr>
<th>Source</th>
<th>IEG data for PCRs.</th>
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### MI 10.3: The MO’s investments and other operations integrate cross-cutting themes.

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<thead>
<tr>
<th>MI rating</th>
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<th>Score</th>
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<td>3</td>
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Element 1: The MO’s investments and other operations identify outcomes with respect to gender, climate, fragility and/or creating markets in line with organisational targets.
Element 1: IFC’s investments are aligned to its strategic themes of FCS, climate, fragility and creating markets.

IFC adopted an initial FCS strategy in 2012 and in 2020 adopted the World Bank Group Strategy for Fragility, Conflict, and Violence 2020–2025. The most recent FCS strategy noted several additional adjustments in IFC’s approach to FCS, including (i) a differentiated approach aiming to tailor investment and advisory services to the different needs and capacities of each type of FCS; (ii) increased upstream engagement; (iii) enhanced inclusion and conflict sensitivity; (iv) a portfolio approach; (v) enhanced World Bank Group collaboration; (vi) enhanced risk mitigation, in particular through blended finance solutions including the IDA PSW; (vii) streamlined programmatic approaches; (viii) greater collaboration with other development finance institutions; and (ix) strengthened staff presence and incentives” (IEG, 2022, IFC and MIGA Support for Private Investment in FCS, FY2010–21). However, the evaluation note it is too early to assess the outcomes of these efforts.

As part of its commitments in supporting the net zero agenda, IFC has "committed to aligning 100 percent of new operations to the Paris Agreement goals by 2025."

IFC AS projects flagged as having a significant gender component increased from 36% in FY17 to 42% in FY19, 57% percent in FY22, and 55% in FY23. The corporate target for gender flagged AS projects of 40 percent was exceeded in all years of the review period, except for FY17 (36%) and FY20 (37%). Sub-Saharan Africa and global programs contributed the most to exceeding this target in FY19, with all other regions falling below the target. IFC investment services (IS) have a lower proportion of projects that address gender gaps than AS, although the trajectory is clearly upward, with the amount flagged increasing from 6% in FY19 to 33% in FY23. Stakeholders noted that flagging is not mandatory for IS.

A 2019 IEG case study evaluation found “ample evidence of IFC’s contributions to market creation and enhancement.” However, “changes observed in market creation across the cases studied were small. Except for ICT, observed market changes were incremental.” IEG considered 16 case studies, in 9 countries across 3 sectors (financial inclusion, agribusiness, and ICT).

As part of its creating markets strategy, IFC had set ambitious targets, as is evident in the following table. IFC’s Corporate Scorecard has targets and results for % of projects with very strong market creation potential since FY19 (SBO FY20-22). From a baseline of 10%, the goal was to increase to 20%, initially by FY20, later this was moved to FY22, and subsequently it was further lowered to 18%. The actual results were 12% in FY19, 8% in FY20, 5% in FY21 and 11% for FY22. This negative trend is not further commented on in the SBO, but is attributable in part to COVID, which required a strong focus on preserving markets with little opportunity to create new markets, including the application of a different approach to AIMM scores for COVID response projects. Quarterly Portfolio Risk Reports identified that the share of projects rated "very strong" for market creation increased to 9% during FY22.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>N/A</td>
<td>15%</td>
<td>18%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Actual</td>
<td>10%</td>
<td>12%</td>
<td>8%</td>
<td>5%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: IFC SBOs (starting FY20-22, until FY23-25). First reported targets (some were subsequently lowered).

MI 10.3 Evidence confidence

Medium Confidence
### KPI 11: The MO’s investments and other operations demonstrate efficiency in terms of: (i) implementation of timelines for investments; (ii) mobilisation; and (iii) rationalisation of administrative expenses.

| KPI score | Satisfactory | 3 |

**Whereas IFC investments are generally implemented in accordance with internal policies, challenges have emerged with respect to timeliness of investment processing. GIA audits implemented over the assessment period have consistently identified robust and systematic processes and oversight to ensure that investments are implemented in accordance with institutional policies and requirement. However, changes to IFC’s ADM to strengthen accountability for quality have yielded unanticipated impacts with respect to M2D, which has consistently exceeded organisational targets.**

Core mobilisation has been constant in recent years but is now on an upward trajectory. Core mobilisation has stabilised in absolute terms since FY20 but has accounted for a declining share of IFC’s own long-term commitments. However, IFC has exceeded G20 targets for enhanced mobilisation. IFC’s core mobilisation increased to USD 11.7 billion in FY18 but stabilised to levels of USD 10.2 billion – 10.8 billion per year in subsequent years accounting for 90% of long-term commitments on average. Core mobilisation has been affected by a challenging investment environment in the context of COVID-19. In FY23, IFC’s core mobilisation reached USD 15 billion, a new record for the institution.

### MI 11.1: Interventions/activities assessed as resource-/cost-efficient.

| MI rating | Satisfactory | 3.00 |

**Element 1: The MO’s investments are implemented in accordance with internal policies and pre-agreed conditions in legal agreements.**

**MI 11.1 Analysis**

**Element 1: IFC has processes for monitoring timely delivery of key portfolio deliverables and implements its investments (including appraisal and supervision) in line with internal policies and conditions in legal agreements. However, timelines for mandate to disbursement have exceeded corporate targets.**

In assessing this element, three issues were considered: (i) IFC’s investment compliance metrics and monitoring; (ii) the extent to which investments are implemented in accordance with key internal control policies and conditions in legal agreements; and (iii) the extent to which investments are implemented efficiently in line with corporate targets.

IFC regularly tracks investment compliance to ensure the timely completion of key portfolio deliverables such as equity valuations, XPSRs, environmental and social compliance reporting and AIMM reviews. A three-day grace period is applied to actual due dates. Investment compliance monitoring draws a random sample of 5 projects from each regional and global industry portfolio at the outset of each fiscal year. Attention is paid to avoid too much concentration in any particular country.

In terms of the extent to which investments are implemented in accordance with key internal control policies, we considered evidence from GIA audits and assurance reports that indicate the extent to which these processes are being implemented systematically. In particular, we examined the following processes, illustrated in table 11.1, below:

- IFC’s management of legal risk throughout the investment cycle;
- IFC’s collateral management;
- Anti-money laundering / Combatting the Financing of Terrorism (AML/CFT);
- Integrity Due Diligence;
- Management of Credit Risk; and
- Internal Control over Financial Reporting.

GIA audits and assurance reports implemented over the assessment period indicate that these processes are being implemented appropriately overall, with some specific opportunities for strengthening. Overall, these reports suggest that IFC investments are implemented in accordance with internal policies and conditions in legal agreements and industry standards.
<table>
<thead>
<tr>
<th>Issue</th>
<th>Key findings</th>
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| **Management of legal risk (FY20)** | • Processes and internal controls are effective and operating as designed.  
• Enabling factors include: discussion of legal risk management at key corporate leadership and management meetings; legal counsels integrated into project teams throughout the investment lifecycle; adequate number of experienced legal professionals; legal clearance of key project milestones hardwired into workflow. |
| **Collateral Management (FY22)** | • Processes and decision-making around obtaining collateral and its management throughout the loan cycle are sufficiently designed and implemented, including interfaces with the Collateral Management System.  
• Enabling factors include: appropriate clearances obtained from credit and legal departments to proceed with collateralization plans; management approval of changes to collateral status; and lessons learned collected and disseminated to Senior Management and operations teams.  
• Opportunities include: strengthening of monitoring and reporting at the portfolio level; more regular updating of loss given default (LGD) calculations; and need to update collateral management policies and procedures, which are missing key components. |
| **AML/CFT (FY22)** | • IFC’s AML/CFT Procedure and operating model for performing due diligence are consistent with common principles and standards across the industry through a risk-based approach and toll to consider risks and mitigants in high-risk jurisdictions.  
• Opportunities include: better defining IFC’s ML/TF risk appetite and tolerance; quality assurance for ML/TF risk assessments; building staff capacity and enhancing IT tools; reinforcing the due diligence process, including defining processes for due diligence and risk management. |
| **Integrity Due Diligence (FY21)** | • IFC’s IDD process is adequately designed and governance and oversight mechanisms are well-established.  
• Enabling factors include: clear process and roles and responsibilities for the identification and assessment of integrity risks; processes for ongoing screening of integrity risks; periodic reporting to senior management.  
• Opportunities include: strengthened monitoring of integrity risks during supervision; adopting a differentiated approach for operations in FCV countries; and strengthening controls over the IDD screening system.  
• Actions since the opportunities for improvements were identified: Stakeholders noted that IFC has strengthened IDD controls in supervision through IT solutions requiring mandatory reviews, adopted differentiated IDD risk appetite for FCV countries and strengthened controls of IDD screening systems. |
| **Credit Risk Management (FY21)** | • The management of credit risk in the debt portfolio is sufficiently designed, with established governance of oversight mechanisms and policy and guidance documents. There are well-defined roles and responsibilities to identify, assess and monitor credit risks throughout the project lifecycle.  
• Opportunities: strengthening the process of delegating approval of credit risk ratings in the Investment Risk Platform; and improving timeliness of risk re-assessments. It was recommended that the Credit and Facility Risk Ratings Directive and Manual is updated and that headroom tracking of exposure limits for pipeline projects is automated. |
| **Internal Control over Financial Reporting (FY20)** | • IFC’s ICFR programme is fulfilling its objective and providing management and providing management with a basis for asserting the effectiveness of ICFR within IFC.  
• Opportunities include: addressing inconsistencies in the ICFR process, risk and control inventory; updating standards for review of ICFR control testing results; and updating outdated documentation for core components of the framework. |

With respect to the extent to which investments are implemented efficiently in line with corporate targets, we examined two indicators median time from mandate to disbursement (M2D), which reflects the number of days from the signing of a mandate letter with a client, which occurs at the concept review stage to the actual disbursement of funds. M2D has been monitored as part of IFC’s corporate scorecard as a key efficiency metric, reflecting the efficiency of investment decision-making.

M2D targets and performance have fluctuated over the assessment period as IFC sought to implement IFC 3.0. M2D was introduced in the IFC SBO FY17-19, after IFC launched the “Process Efficiency Initiative” to
improve delivery for its clients. The target for FY16 was set at 150 days. The FY18 Budget paper indicated that M2D had improved from 320 days in FY15 to 310 days in FY16. IFC’s FY19 Budget paper reported actuals of 195 for FY17 and targets of 150 for FY18 and FY19. SBOs and Budget Papers did not report on M2D again until the FY23-25 SBO listed the FY21 actual as 262 days, with subsequent targets as 239 for FY22 and 229 for FY23 and FY24. Multiple IFC stakeholders attributed long M2D timelines to unintended consequences of restructuring IFC’s ADM and processes to introduce AIMM and Upstream work and enhance accountability. Furthermore, IFC’s portfolio has become more complex – disbursements linked to the PSW tend to take longer to disburse because of the complex IDA and FCS context.

IFC’s Operations Management team explained that in retrospect the target of 150 was likely not realistic. However, efficiency gains were realized during the implementation of the Fast Track COVID facility and that IFC was now working on implementing lessons from that experience to improve efficiency and the time M2D. IFC stakeholders reported the average M2D as 140 days for the fast-track facility; however, the facility primarily addressed existing clients. Nevertheless, IFC management is attempting to apply lessons learned on streamlining of different functions to future operations. Publicly available data for time from approval to disbursement (which includes approval to signing and signing to disbursement) suggests that some efficiencies have been realised in the last two years despite an overall upward trend since FY17. (Figure 28).

**Figure 28. Timelines for Investment Processing**

![Figure 28. Timelines for Investment Processing](image-url)

MI 11.1 Evidence confidence: High Confidence

**MI 11.2: The MO rationalises administrative resources in line with organisational commitments.**

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<th>MI rating</th>
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<td>MI score</td>
<td>Satisfactory</td>
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<td>3.00</td>
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**Element 1:** The MO rationalises administrative expenses in line with organisational commitments.

2

**Element 2:** The MO demonstrates growth in private mobilisation relative to capital committed, particularly in emerging markets.

4

**MI 11.2 Analysis**

**Element 1:** With respect to rationalisation of administrative expenses, IFC reports on: (i) the Budget Coverage Ratio; and (ii) savings through efficiency gains and economies of scale (USD millions). Whereas IFC is on track to achieve the expected efficiency gains, Implementing IFC 3.0 has pushed the Budget Coverage Ratio beyond internal targets in recent years.

IFC’s Budget Coverage Ratio:

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The budget coverage ratio (BCR) (administrative expenses / loan and fee income) was added to IFC's Scorecard in FY19 as IFC's key efficiency metric, to ensure that “IFC can cover its administrative expenses from its loan and fee income” (IFC SBO FY20-22). This metric reflects how much of the administrative budget was covered from sources of stable and predictable income. IFC had set a target for the BCR at 85% (IFC SBO FY20-22). The target was met in FY18 (83%) and FY19 (79%), while it was exceeded in FY20 (92%) and FY21 (98%). IFC has set new internal targets for the BCR, to be less than less than or equal to 95% in FY22-23, which was met for FY22 (93%), and then 91% for FY24-25 (see IFC SBOs FY23-25 and FY24-26), which is also the target of the Capital Increase Package.

IFC stakeholders indicated the following figures for IFC's BCR during the assessment period (Table 27):

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget Coverage Ratio</th>
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<tbody>
<tr>
<td>FY18</td>
<td>83%</td>
</tr>
<tr>
<td>FY19</td>
<td>79%</td>
</tr>
<tr>
<td>FY20</td>
<td>92%</td>
</tr>
<tr>
<td>FY21</td>
<td>98%</td>
</tr>
<tr>
<td>FY22</td>
<td>93%</td>
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</table>

Source: IFC SBOs FY17-22

IFC’s administrative budget authority has increased 3.8% per annum between 2017 and 2023 (3.8% p.a.), while the disbursed portfolio increased 3.1% p.a. Administrative budget spending has increased by 3.9% p.a., since IFC was not fully utilizing its budget authority in the initial years. Total budget authority (including administrative budget, special initiatives, designation of RE), increased by 26% (3.9% p.a.) over the review period. Total expenses (including administrative budget, special initiatives and designation of RE) increased 25.8% from FY16-22 with an average annual growth rate of 3.9%.

IFC’s total administrative expenditures as presented in its financial statements, over the same period, FY16-22, increased by 45.8% (6.5% p.a.) (Figure 29). The larger increase in actual expenditures as presented in annual financial statements is explained by (1) other sources of funds covering IFC expenditures (e.g., donors and fees) and increases in pension expenditures; and (2) IFC underspending compared to the budget authority in the initial years. As a result, IFC’s expenses as a percentage of its disbursed investment portfolio increased over the review period (Figure 30).

Stakeholders within IFC indicate that this increase in administrative budget compared to the disbursed portfolio is expected to be temporary given the time lag between investment in the upstream business and any resulting growth in IFC’s portfolio and income. COVID-19 and the global economic environment as well as increased complexity of IFC projects have been cited as factors influencing the speed at growth in the portfolio has been realised. The FY23 Budget identifies key drivers of the increase as: (i) resources required to implement IFC 3.0; (ii) time lag for conversion of the upstream pipeline; (iii) growth of the debt portfolio; and (iv) the global macroeconomic environment. BCR is projected to trend downward in future back to 91% in FY24.
IFC’s Reporting on Efficiency Gains:

As noted above, IFC committed to achieve 700 million USD in efficiencies between FY19 and FY30 as part of its CIP Commitments. The 2022 Update on CIP Commitments indicates that IFC achieved USD 243 million in efficiency savings between FY19-22 and projected a further USD 166 million in savings between FY23 and 25. As confirmed by stakeholders the majority of savings have been linked to staffing, including reform of the workforce structure and grade mix (approximately 60%). Other efficiencies are attributed to Corporate Procurement and Cost Optimisation, Productivity Gains and Global Real Estate and Facilities savings. Staff departures briefly lowered administrative expenditures, also because there were some lags in hiring new staff at lower levels of seniority (in particular for upstream and the economics function).
Element 2: IFC has achieved the 2020 G20 target of USD 10.1 billion in annual core mobilisation and the internal corporate target ratio of 80%. Core mobilisation has increased over historical values in terms of volume and as a percentage of its own commitments. IFC remains a leader among DFIs and MDBs for direct and indirect mobilisation among DFIs and MDBs.

IFC’s Core Mobilisation has increased compared to FY15-17, reached a peak in FY18 (USD 11.7 billion), but following IFC’s capital increase has stabilized at levels below that (USD 10.2 - USD 10.8 billion, Figure 29). Average annual core mobilisation has averaged USD 10.3 billion over the review period, or 90%. After an initial strong increase from FY17 (USD 7.5B) to FY18 (USD 11.7B), mobilisation levelled off to USD 10.2 - USD 10.8 billion p.a. in FY19-FY22. However, IFC has reached the 2020 G-20 target of USD 10.1 billion and the corporate target ratio of 80%. Furthermore, IFC’s core mobilisation – both in terms of volume and in percent of its own commitments – increased well above historical values from 2007-2017 (IEG PCM Evaluation, 2021).

As a percentage of IFC’s own commitments, mobilisation increased significantly in FY18 and FY19 to 100% and 114%, respectively (when IFC was very capital constrained prior to the capital increase), but mobilisation has declined to 84% by FY22 despite staying stable in absolute terms. IFC stakeholders noted that there was a linear increase in mobilisation up to the pandemic. While there was significant mobilisation in the health sector and in Africa during the pandemic, mobilisation in key sectors such as infrastructure decreased considerably. Infrastructure mobilisation reflected 70% of overall mobilisation prior to the pandemic, but subsequently decreased to 30%. However, key partners are now shifting focus back to infrastructure and renewables, which stakeholders note suggest potential for a continued positive trajectory in future.

IFC demonstrated clear leadership in mobilisation across MDBs and DFIs. The Joint MDB report on mobilisation notes that IFC represents 27.5% of the total mobilisation of all the MDBs and DFIs mobilisation in LIC and MIC countries from 2016-2021. The joint MDB mobilisation report uses a different methodology to calculate mobilisation: the MDB definition focuses exclusively on mobilisation from private investors, both direct and indirect, (not mobilisation of other DFIs), includes ‘private indirect mobilisation’ such as a private entity sponsor finance, and it is reported by calendar year not fiscal year. The definitions of the joint methodology are noted in Element 6.4.2.

Figure 31 reflects IFC’s core mobilisation over the assessment period from various sources in absolute terms. Figure 32 reflects IFC’s core mobilisation as a percentage of IFC’s own long-term commitments.

**Figure 31. IFC core mobilisation**

![Graph showing IFC core mobilisation](source: IFC Annual Reports and Financial Statements, FY17-22)
Figure 32. IFC mobilisation
Percent of IFC's own long-term commitments

Source: IFC Annual Reports and Financial Statements, FY17-22

MI 11.2 Evidence confidence

MI 11.3: The MO rationalises administrative resources in line with organisational commitments.

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<th>Score</th>
<th>MI rating</th>
<th>MI score</th>
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<tbody>
<tr>
<td>Satisfactory</td>
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<td>3.00</td>
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Element 1: The MO has implemented measures to optimise its balance sheet through mobilisation and risk-sharing.

Element 1: Core mobilisation peaked in FY18 at 11.7 billion and then held steady in the $10.2-$10.8 billion range, averaging $10.3 billion during FY17-22 (Figure 29 and Figure 30).

Following IFC’s capital increase, IFC’s Capital Utilization Ratio (CUR) decreased substantially (Figure 33), mainly due to IFC’s capital increase and the relatively slow portfolio growth and is now safely below the upper limit; for additional mobilisational information on IFC resource mobilisation, see element 1 of MI 3.2. On the positive side, this decreased significantly IFC’s capital risk. However, it also means that IFC could significantly increase its development-related assets to improve the efficiency of its capital use and still stay within the threshold (88%).

IFC’s capital utilisation ratio is dependent upon a range of factors, some of which are outside of IFC’s control (e.g., macroeconomic and political conditions, timing of client disbursement requests and prepayments). IFC’s capital adequacy framework provides a robust means of managing risks related to these exogenous factors and providing a means of measuring and allocating capital across different investments. IFC regularly reviews and updates its capital adequacy framework. A significant enhancement was made recently in FY22. Through this update, IFC has enhanced its economic capital engine, as well as the risk rating framework (IRP) that is an input into economic capital calculations. IFC’s capital adequacy framework is also periodically reviewed externally, for example as part of the capital increase process with the Board.

MI 11.3 Evidence confidence

KPI 12: Results are sustainable.

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<tr>
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<td>4.00</td>
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IFC closely monitors and reports on portfolio performance and has demonstrated strong risk management processes over the assessment period. IFC’s Capital Utilisation Ratio (CUR) has remained well within the established ratio of below 88% throughout the assessment period. IFC monitors and regularly reports on concentration limits and capital usage in its annual financial statements and quarterly operations reports and has demonstrated strong performance over the assessment period. Projects are approved with reference to a number of operational and prudential limits, with IFC’s portfolio regarded as highly diversified by ratings agencies. Performance against key budget efficiency metrics have been uneven over the course of the assessment period, owing in part to a difficult investment climate, the time lag in converting IFC’s investment in upstream work to its portfolio, lower than expected loan and fee income and a strong focus on short-term finance during the COVID crisis.

### MI 12.1: The MO actively monitors the performance of its portfolio.

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<tr>
<td>MI score</td>
<td>Highly Satisfactory</td>
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**Element 1:** The MO monitors investment portfolio performance in line with its financial sustainability goals.

**MI 12.1 Analysis**

**Element 1:** IFC actively monitors investment portfolio performance in line with its financial sustainability goals.

IFC’s capital adequacy is closely monitored by IFC management through the Capital Utilisation Ratio (CUR), whereas portfolio performance is monitored with respect to Non-Performing Loans (NPLs), Return on Average Assets (ROAA) and Average Capital (ROAC) as well as portfolio Risk-Adjusted Return on Capital, Risk-adjusted Return on Capital (RAROC) and equity portfolio returns against the MCSI Emerging Markets Index. Additionally, IFC uses private benchmarks to juxtapose its own equity performance against them.

IFC defines financial sustainability as follows: “IFC will generate and maintain sufficient financial resources, conduct its business and manage risk consistent with standards implied by a triple-A rating” (IFC Annual Report FY22 – Part 2: Management Discussion & Analysis MD&A, in brief MD&A FY22).

**Capital Risk:**

IFC has a strong focus on capital adequacy, which is very closely watched by IFC Management and the ratings agencies, with clear targets. Until FY22, IFC has tracked Deployable Strategic Capital (DSC) as its key capital adequacy metric. Since FY22, there has been a shift to using the capital utilization ratio (CUR). CUR is defined as Capital Required / Capital Available. Capital Required is the capital needed to support the investment and Treasury portfolios (as well as capital for operational risk.) The rationale for using CUR are: (i) it is an easier metric to understand and interpret than DSC; (ii) it is more widely used by other MDBs or other institutions; and (iii) the capital buffer is ‘hidden’ within the DSC calculation (i.e., if the capital buffer were changed from 10%, the DSC would also change), while CUR is a more transparent metric. The CUR is 0.9 minus the DSC, so both ratios are roughly equivalent. However, the CUR is being adopted given its closer correspondence to financial statement disclosures.

Following its capital increase, the CUR has significantly improved and it is now well below the threshold of 88%. From FY16 (85.6%), when it was close to the limit, it has continuously improved to 62% in FY22. The main reasons were of course the capital increase of USD 5.5 billion, but also that the disbursed portfolio grew much slower than was expected: 2% p.a. since FY18, and only 0.4% p.a. since FY19. IFC’s corporate threshold for the CUR is 88%. (Figure 33)
Portfolio Performance:

Key indicators of portfolio performance that are actively monitored by IFC include: (i) non-performing loans (NPLs) and reserves against them; and (ii) the return on average assets (ROAA) and average capital (ROAC).

NPLs have improved significantly over the review period, from 6.5% at the end of FY16 to 3.9% at the end of FY22, decreasing quite consistently except for a brief uptick in FY20 as a result of the pandemic. ROAA and ROAC have been more volatile, with negative returns in FY20 and FY22, but very strong results in FY21 (Figure 34).

The RAROC has implications for the financial performance of the portfolio its sustainability, ensuring that the expected rate of return on loans are high enough to justify the capital being deployed. This indicator is monitored systematically as part of IFC’s Corporate Scorecard and is presented in the SBO. For the RAROC, IFC has had a target of 8% since its FY18 Budget Paper (before that, it had a return on net worth target, but was under-performing against that). The actual results were in line with or close to the target until FY19 but declined following the pandemic to 3.2% in FY21 before rebounding to 4.8% in FY22.
IFC’s 2023-25 SBO attributed the decline to “tightening spreads resulting from excess liquidity conditions (particularly in the financial sector) ... Going forward, as existing portfolio investments are exposed to changes in risk rating and expected losses, volatile political and macroeconomic conditions can lead to increased volatility in IFC’s portfolio RAROC” (IFC, 2022, Strategy and Business Outlook Update FY23-25)

For the equity portfolio, IFC compares its rate of equity returns against the MSCI, which captures large and mid-cap stock performance across 24 Emerging Markets (EM) countries, reflecting the performance of IFC’s equity portfolio against market performance in emerging countries more broadly. A corporate target was established at => 0%. This was achieved during the first half of the assessment period before turning negative in FY19. The metric then rebounded considerably in FY22 to 26.2%.

Overall performance of these financial indicators is presented in KPI 9. Key portfolio indicators such as the RAROC, total equity returns minus the MSCI and NPLs are reported to IFC Management and the Executive Board’s Audit Committee on a quarterly basis as part of the Quarterly Portfolio Performance and Risk Report.

MI 12.1 Evidence confidence

High Confidence

MI 12.2: The MO has processes in place to address exposure risks and assess capital adequacy.

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<td>MI score</td>
<td>Highly Satisfactory</td>
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Element 1: The MO has processes in place to ensure concentration limits are respected in line with organisational targets and tolerances.

Element 2: The MO has a process in place to monitor capital allocation ratios and trajectories in line with resource requirements to reach strategic goals.

MI 12.2 Analysis

Element 1: IFC monitors and reports concentration limits in its annual report and financial statements and ratings agencies find that “portfolio concentration metrics are better than those of most of its peers”.

Projects are approved with reference to a number of operational and prudential limits approved by the Corporate Risk Committee, including limits related to single project or client exposure, single country exposure, and sector concentration; these are detailed below:

- IFC’s total exposure to a country, for the purpose of setting exposure limits, is measured as the amount of economic capital required to support its investment portfolio in that country. Exposure limits are set for each country based on the size of its economy. Sub-limits apply for certain sector exposures within a country.
- IFC’s total exposure to a single client or client group may not exceed stipulated economic capital and nominal limits based on the Credit Rating for the client.
- Individual Investment Limits are applied at the individual project or client level to prevent excessive concentrations.
- Preferential debt exposure to a country is limited by reference to that country’s total medium- and long-herm external debt.
- IFC’s total equity and quasi-equity exposure (outstanding exposure net of specific reserve) shall not exceed IFC’s net worth.

It is expected that investment departments comply with exposure limits at all times. Clear processes are in place for approving any exception or deviations to the limit structure prior to committing funds. Exceptions or deviations must be clearly justified with an action plan and strategy to ensure compliance. Exceptions to Individual Investment Limits must be approved by the Investment and Credit Risk Director or Regional Chief Risk Officer whereas other exceptions (country, sector, equity / quasi-equity, preferential debt exposure) must be approved by the Corporate Risk Management Director. Exposure implications are reported in Quarterly Portfolio Performance and Risk Reports.

Moody’s (Moody’s Credit Opinion, November 2022) found that “IFC’s portfolio is highly diversified, which reflects its large size and global reach, and its portfolio concentration metrics are better than those of most
of its peers. For example, as of FY 2022, the sum of the IFC's 10 largest exposures accounted for only about 9% of the total portfolio, and the single-largest exposure was only around 1.4% of its portfolio. “Sector concentration is more pronounced because of the IFC’s high exposure to the financial sector, including both banking and insurance, which accounts for 41% of total disbursements. Other large sector exposures include collective investment vehicles (10%) and electric power (9%).” Regarding equity investments, IFC typically “limits its equity participation to no more than 20% of the investee company’s common shares and generally ensures that it is not the single-largest investor. Additionally, all equity exposures are fully covered by capital.”

Element 2: IFC closely monitors its capital, using the Capital Utilization Ratio. There is regular reporting on capital adequacy to IFC Management and the Audit Committee of the Executive Board, including projections and stress testing.

A key consideration for financial sustainability is IFC’s capital adequacy (see also KPI 3, MI 3.2 and KPI 11, MI11.3).

“From a financial sustainability perspective, the capital required to maintain a triple-A rating is assessed using an economic capital framework, which is the foundation of financial risk management at IFC. Economic capital acts as a “common currency of risk” across the organization, providing IFC with an objective, quantifiable measure of risk that can be applied consistently across business lines, products, regions and sectors.” (IFC Annual Report MD&A, FY22).

IFC holds economic capital for credit, market and operational risks. The economic capital framework covers IFC’s entire balance sheet — debt, equity, and Treasury assets — and economic capital is used for limit-setting, pricing, and risk-adjusted performance measurement. The primary measure of capital adequacy is IFC’s Capital Utilization Ratio (CUR), which is the ratio of Capital Required for the current portfolio to the Capital Available.

IFC changed its capital adequacy framework in FY22. Starting FY22 Q1, IFC uses the Capital Utilization Ratio (CUR) defined as [Capital Required / Capital Available] as a measure of capital adequacy under IFC’s updated capital adequacy framework. The CUR replaces the previous DSC ratio. CUR and DSC ratios have a one-to-one mapping expressed as [CUR = 90 percent – DSC ratio]. Throughout FY22, IFC’s CUR was well within the established threshold of < 88 percent.” (IFC MD&A, FY22)

Following IFC’s capital increase, the capital utilization ratio – CUR has significantly improved and it is now well below the threshold of 88% (see element 1 of MI 3.2 for a discussion of how IFC uses the CUR). This threshold includes a 10% capital buffer first introduced in FY10 as well as a target range of between 2 and 10% of DSC, equivalent to 80-88 percent CUR. S&P considers IFC’s financial risk profile “extremely strong” (S&P Ratings Direct, March 2022) and Moody’s states that IFC has “A strong capital position” (Moody’s Credit Opinion, November 2022).

As noted in MI 3.2, above, there is a clear process and methodology in place to monitor and report on capital adequacy and trajectories. IFC calculates its capital adequacy position on a regular basis throughout the fiscal year, including capital adequacy forecasts over the current and next three fiscal years. These forecasts are reported to management and discussed quarterly.

IFC’s current capital adequacy position is reported to the Board Audit Committee on a quarterly basis as part of the Portfolio and Risk Report and as part of discussions on the MD&A and financial statements. An annual report is provided to the Audit Committee via the Financial Risk Management and Capital Adequacy position, including updates on the current and projected capital adequacy position, including stress testing. Capital adequacy projections are also provided in three-years SBOs and annual updates.
## Annex B: Evidence List

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<td>&quot;@IFC_org&quot; Twitter Page, <a href="https://twitter.com/IFC_org?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwsgr%5Eauthor">https://twitter.com/IFC_org?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwsgr%5Eauthor</a>.</td>
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<td>EBC (n.d.), Financial Conflicts of Interest, World Bank Group, Washington, DC.</td>
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<td>EBC (n.d.), Political Activities, World Bank Group, Washington, DC.</td>
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Annex C: Results of the External Partner Survey

The online survey was administered by MOPAN and was conducted over a period of 6.5 weeks, starting on 24 February 2023 and closing on 12 April 2023.

The survey was sent to an effective sample size of 675, with 145 respondents and an effective response rate of 21.5%.

The survey was sent to various partner groups, including:

- Civil society
- Co-financing partners
- Donors
- Host Governments
- Implementing partners
- Peer organisations
- Shareholders

Details regarding the composition of the respondents, by partner type are depicted in Figure 35.

Figure 35 Respondents by Type and Geographical focus

![Graph showing respondents by type and geographical focus]

Partners surveyed had both global and single country perspectives. 51% of respondents had either a global or multi-country perspective, while 49% of respondents has a single country perspective (Figure 36). Country focus, for those with a single country focus, is depicted in Figure 37.
In terms of familiarity with IFC, most respondents (59%) had been engaging with IFC for over three years (Figure 38). A significant amount of respondents interact with IFC only a few times a year or less (35%) or monthly (37%) (see Figure 39).
Figure 39. Respondents by frequency of contact with IFC

Survey results

This section presents the results of the Partner survey.

Note: Results displayed only reflect responses to questions that are relevant to specific partner categories. Where partner categories have not been asked a particular question, their category is not listed.

Strategic Management

![Survey results chart showing frequency of contact with IFC]
Q1[01] [In country], the World Bank Group's Country Partnership Framework identifies a clear strategy for IFC to support sustainable private sector development and market creation.

Q1[02] [In country], the strategies and policies of IFC demonstrate good understanding of its comparative advantage.

Q1[03] IFC organises and runs itself in a way that fully supports its vision.
Q1[04] IFC’s pipeline and approved projects reflect its strategic commitment to support private sector development.

Q1[05] IFC’s financial framework supports the effective implementation of its mandate and strategic vision.
Q1[07] IFC has a clear strategy and process for monitoring and ensuring financial sustainability of the organization.

Q1[08] [In country], IFC uses concessional funds to optimise development impact in line with good practices for blended concessional finance.

Q1[09] IFC manages funds raised from donors and other partners in an efficient and transparent way.
Q1[10] IFC adequately addresses issues and concerns raised by internal control mechanisms.

Q1[11] IFC has generated transparent cost savings through expenditure review and control of administrative expenditure.
Staffing Structure and Skills

Q2[01] IFC has a sufficient number of staff, either in or accessible [to COUNTRY] to generate a viable pipeline of projects and provide support to clients.

Q2[02] IFC’s staff are sufficiently experienced and skilled to contribute to private sector development and market creation [in COUNTRY].
Q2[03]  IFC's staff are present in country for a long enough time to build the relationships needed to facilitate their work [in COUNTRY].

Q2[04]  IFC staff have been able to respond to changing market conditions, adapting their strategy and activities [in COUNTRY] in an agile and responsive way.
Q2[05] IFC has positioned itself, including through its staff and skills complement, to serve all clients in line with its corporate vision to implement an upstream approach in challenging markets.

Q2[06] IFC has adjusted its staff complement in line with the corporate vision, striking the right balance between bringing in new skills and retaining institutional memory.
Cross-cutting Issues

Q3[01] IFC promotes gender equality [in COUNTRY] by promoting improved employment and leadership opportunities, working conditions including gender-based violence at the workplace, and access to finance and other assets for women and supporting women-own.

Q3[02] IFC promotes investment in climate business and climate-friendly projects [in COUNTRY].
Q3[03] [In COUNTRY], IFC provides solutions to support private sector development in a manner that is appropriate for fragile and conflict-affected states.

Q3[04] IFC helps create markets [in COUNTRY] by removing barriers to investment, enhancing the operating environment and identifying potentially viable investments.
Q3[05] The IDA Private Sector Window and Creating Markets Advisory Window are being used effectively to address constraints to investment and crowd-in investment in challenging markets.

Q3[06] IFC has a clear operational approach to implement Green Resilient and Inclusive Development
Management of Investments, Advice and Other Operations

Q4[01] IFC’s activities and portfolio strike the right balance between financial performance and the achievement of development impacts.

Q4[02] IFC’s work reflects the development needs and priorities [of COUNTRY].
Q4[03] IFC’s work [in COUNTRY] is selective, targeting sectors where it can best contribute to growth and market creation.

Q4[04] IFC’s strategy and work [in COUNTRY] is informed by credible analysis and understanding of the market.

Q4[05] IFC provides an appropriate mix of technical advice, financing and knowledge to address key development challenges [in COUNTRY].
Q4[06] IFC increases the impact of interventions [in COUNTRY] through the provision of advisory services, capacity development and project preparation support to clients.

Q4[07] IFC generates value for shareholders by crowding in investment and mobilizing capital from multiple sources.

Q4[08] [In COUNTRY], IFC assesses client/recipient capacity and provides sufficient support where not adequate.

Q4[10] IFC's investments' environmental and social risks [in COUNTRY] are monitored throughout the investment lifecycle.

Q4[11] IFC's adequately addresses risks related to integrity, corruption and conflicts of interest [in COUNTRY].
Q4[12] IFC has appropriate safeguards [in COUNTRY] to protect vulnerable people and helps to ensure that its projects provide benefits for them.

Q4[13] IFC has effective processes in place for working with clients to prevent and respond to sexual misconduct in relation to host country populations.

Q4[14] IFC has effective processes in place for preventing, investigating and reporting on any sexual misconduct by their personnel in relation to the host population (SEA).
Working with Clients and Other Partners

Q5 [01] IFC works with host country governments to support the creation of an enabling environment for investment [in COUNTRY] and implement effective public private partnerships.

Q5 [02] IFC's work with partners [in COUNTRY] is based on a clear understanding of why it is best placed to target specific sectoral and/or thematic areas (including in cross-cutting areas) with respect to promoting private investment.
Q5 [03] In COUNTRY, IFC works across the World Bank Group and with other partners to create a policy and regulatory environment that promotes sustainable investment.

Q5 [04] IFC supports deepening of financial markets and promotion of high standards [in COUNTRY] through equity investment and other instruments.

Q5 [05] IFC is actively engaged in coordination mechanisms [in COUNTRY] for planning, implementation, monitoring with other peer organizations.
Q5 [06] IFC engages with the private sector and financial institutions [in COUNTRY] to mobilise financial resources, promote investment in underserved sectors and expand access to finance.

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Q5 [07] IFC coordinates with peer organizations [in COUNTRY] to share knowledge, promote coherence and avoid fragmentation.

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Q5 [08] IFC shares relevant information on its website and in response to queries in line with its Access to Information Policy.

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Q5 [09] IFC ensures that stakeholders and project affected people [in COUNTRY] are consulted appropriately.

Q5 [10] IFC has appropriate safeguards, including on gender-based violence, to protect vulnerable populations.

Q5 [11] IFC has adequate processes [in COUNTRY] to ensure grievances can be raised and are addressed, including on gender-based violence.
Q5 [12] IFC’s diagnostics, tools and publications are useful for my work.

Q5 [13] IFC’s diagnostics, tools and publications are provided in a format that makes them easy to use.
Q5 [14] IFC’s diagnostics, tools and publications contribute to policy dialogue on private sector development [in COUNTRY].

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Q5 [15] IFC’s diagnostics and publications provide relevant insights into barriers to investment and private sector development [in COUNTRY].

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**Management of Results and Impact**

Q6 [01] [In COUNTRY], IFC identifies credible projections for development outcomes based on evidence and in consultation with key stakeholders, including host governments, peer organizations, civil society and project sponsors.

Q6 [02] In addition to direct stakeholder effects, IFC's work [in COUNTRY] supports catalytic, market-wide effects.
Q6 [03] IFC tracks the performance of projects through regular monitoring and supervision.

Q6 [04] Where possible, IFC supports the commercial sustainability of projects that are performing poorly through investment restructuring and advice.

Q6 [05] IFC learns lessons from previous projects and applies them to new operations.
Organisation’s Response to COVID-19

Q7 [01] IFC has a COVID strategy [in COUNTRY] that is clear and reflects its comparative advantage.

Q7 [02] IFC has been able to adapt its financing to respond to COVID-19 in an agile and responsive way.
Q7 [03] IFC has leveraged new and existing mechanisms to respond to the needs of its clients during the COVID-19 pandemic.

Q7 [04] IFC has provided targeted and effective support and advice to its clients to mitigate the impact of COVID-19.

Q7 [05] IFC's tools and publications provide relevant information for clients and other private sector actors to manage the impacts of the COVID-19 pandemic.
Q7 [06] IFC has provided relevant knowledge and thought leadership in the context of the COVID-19 response.

Q7 [07] IFC provided relevant support to private actors in the health sector to support the national COVID-19 response.