MOPAN ASSESSMENT REPORT

International Finance Corporation (IFC)

MOPAN

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Multilateral Organisation Performance Assessment Network

EXPLANATORY NOTE

MOPAN is the only collective action mechanism that meets member countries' information needs regarding the performance of multilateral organisations. Through its institutional assessment report, MOPAN provides comprehensive, independent, and credible performance information to inform its members' engagement and accountability mechanisms.

MOPAN's assessment reports tell the story of the multilateral organisation and its performance. Through detailing the major findings and conclusions of the assessment, alongside the organisation's performance journeys, strengths, and areas for improvement, the reports support member's decision-making regarding multilateral organisations and the wider multilateral system.

This document is published under the responsibility of the Multilateral Organisation Performance Assessment Network (MOPAN). MOPAN is an independent body that is governed by a Steering Committee composed of representatives of its member countries and served by a permanent Secretariat. The Secretariat is hosted at the Organisation for Economic Co-operation and Development (OECD) and bound by its administrative rules and procedures. It is independent in terms of financing and the content and implementation of its work programme.

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PREFACE

ABOUT MOPAN

The Multilateral Performance Network (MOPAN) comprises 22 members* that share a common interest in assessing the performance of the major multilateral organisations they fund.

Through its assessments and analytical work, MOPAN provides comprehensive, independent, and credible information on the effectiveness of multilateral organisations. This knowledge base, on the one hand, contributes to organisational learning within and among the multilateral organisations, their direct beneficiaries and partners, and other stakeholders. On the other hand, MOPAN's work helps network members meet their own accountability needs as well as inform their policies and strategic decision making regarding the wider multilateral system.

MOPAN MEMBERS AS OF 1 JANUARY 2024

*New Zealand and Türkiye are observers.

ABOUT THE ASSESSMENT OF THE INTERNATIONAL FINANCE CORPORATION

This report provides a diagnostic assessment and snapshot of the International Finance Corporation (IFC) and tells the story of IFC's performance in delivering on its mandate. It is the first MOPAN assessment conducted for IFC. This assessment covers the period from 2017 through 2022. As relevant, data have also been included covering 2023.

The assessment of IFC was conducted through a rigorous process and took a collaborative approach by integrating the perspectives of a range of stakeholders. This approach provides multilateral organisations and network members with a robust source of evidence-based guidance on the areas for improvement to achieve enhanced organisational performance.

The assessment draws on multiple lines of evidence (documentary, survey, and interviews) from sources within and outside the organisation to validate and triangulate findings across 12 key performance indicators (KPIs) that are broken down into 58 indicators and 243 elements. The standard assessment framework has been developed based on international best practice, and further customised for private-sector oriented development finance institutions, taking into account the specific mandate and priorities of IFC. Moreover, the assessment framework has been revisited to capture the impact of COVID-19 on IFC's mandate and operations, and to gauge to what extent IFC has been able to adapt and leverage its internal processes to respond to COVID-19 in an agile manner.

The following operating principles (Box 1) guided the implementation of this assessment. *MOPAN's Methodology Manual* describes in detail how these principles are realised.

Box 1: Operating principles

MOPAN will generate **credible, fair and accurate** assessments by:

- ***implementing*** an impartial, systematic and rigorous approach.
- ***balancing breadth with depth*** and adopting an appropriate balance between coverage and depth of information.
- ***prioritising quality*** of information over quantity.
- ***adopting a systematic approach***, including the use of structured tools for enquiry/analysis.
- ***providing transparency*** and generating an "audit trail" of findings.
- ***being efficient***, building layers of data, seeking to reduce burdens on organisations.
- ***ensuring utility***, building organisational learning through an iterative process and accessible reporting.
- ***being incisive***, through a focused methodology, which provides concise reporting to tell the story of an organisation's current performance.

Source: MOPAN 3.1 Methodology: Manual, http://www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf.

IFC's assessment report is composed of two parts, the Analysis Summary and the Technical and Statistical Annex.

Part I: Analysis Summary is structured into four chapters. Chapter 1, which introduces the organisation and its context, is followed by Chapter 2, which presents a high-level overview of key findings. Chapter 3 takes a detailed look at findings. Chapter 4 provides information about the assessment methodology and its process.

Part II: Technical and Statistical Annex of IFC (2022) contains the detailed underlying analysis of each score, the list of supporting evidence documents, and the summarised results of the external partner survey that fed into this assessment.

TABLE 1. **MOPAN ASSESSMENT PROCESS**

Stage 1: **INCEPTION**	The inception phase seeks to ground the assessment in an understanding of an organisation's mandate, operating model, and infrastructure; how it addresses cross-cutting issues. This includes how it interprets and tracks results and performance.
Stage 2: **EVIDENCE COLLECTION**	This stage focuses on the collection of robust and relevant evidence against the assessment framework from three streams (document review, interviews, and surveys) to minimise information gaps and ensure that assessment findings are credible.
Stage 3: **ANALYSIS**	In this phase, the data collected are synthesised and analysed to derive findings that are supported by clear and triangulated evidence. Complementary data are collected as needed.
Stage 4: **REPORTING**	As the assessment report is being drafted, the organisation verifies factual findings, and both the organisation and the Institutional Lead (IL) comment on the analysis. The MOPAN Secretariat and an external expert, where possible, carry out quality assurance. Key findings are presented to organisation and MOPAN members. A written response from the organisation's management concludes this stage.

ACKNOWLEDGEMENTS

The MOPAN assessment of IFC was conducted under the overall strategic guidance of Suzanne Steensen, Head of the MOPAN Secretariat. It was prepared under the responsibility of Erika MacLaughlin, who co-ordinated the assessment process and co-authored the report, with support from Camille Hewitt, who helped finalise the report.

MOPAN is grateful to World Bank Group Executive Director Michael Krake and his team Philipp Hauger, Dagmar Lohan, Lena Hoefling, Pauline Marie Heusterberg and Stefanie Herb from Germany, for championing this assessment of IFC on behalf of the MOPAN membership.

The assessment was conducted in co-operation with Centennial Group International. Roland Michelitsch led the assessment and is the co-author of the report. A team comprised of Rakesh Nangia, Ieva Vilkelyte, Laura Shelton, Gaiv Tata, Luc Lefebvre and Tim Ryan also supported the assessment and contributed to the final report. The report also benefited from an external peer review, conducted by Bob Finlayson and a review by Moira Reddick, Jolanda Profos and Megan Euceda of the sections relating to the protection of sexual exploitation, abuse and harassment.

The external partner survey was administered by Cristina Serra Vallejo from the MOPAN Secretariat, together with Corentin Beudaert-Ugolini, who also supported the implementation and finalisation of the survey.

The report was edited by Christopher Mooney, and Baseline Arts Ltd provided the layout and graphic design.

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This assessment would not have been possible without the close engagement and valuable contributions of many senior officials and technical staff from IFC and from representatives of development partners who participated in in-depth interviews and survey.

Finally, MOPAN is grateful to all Steering Committee representatives for supporting the assessment of IFC, as well as to its member countries for their financial contributions, making the report possible.

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ABBREVIATIONS AND ACRONYMS

ADM	Accountability and Decision-making Framework
AEA	American Evaluation Association
AHC	Anti-harassment Coordinator
AIMM	Anticipated Impact Measurement and Monitoring
AIP	Access to Information Policy
AMC	Asset Management Company
AML	Anti-Money Laundering
AS	Advisory Services
BCR	Budget Coverage Ratio
BOP	Base of the Pyramid
BP	Budget Paper
CAF	Capital Adequacy Framework
CAO	Compliance Advisor Ombudsman
CASA	Conflict Affected States in Africa
CBD	Climate Business Department
CCAP	Climate Change Action Plan
CCDR	Country Climate and Development Report
CCFP	Critical Commodities Finance Programme
CDI	Development Impact Measurement Department
CFT	Combatting the Financing of Terrorism
CIP	Capital Increase Package
CLR	Completion and Learning Review
CMAW	Creating Markets Advisory Window
CODB	Cost of Doing Business
CODE	Committee on Development Effectiveness
CPE	Country Partnership Evaluation
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostic
CS	Country Strategy
CUR	Capital Utilisation Ratio
DFI	Development Finance Institution
DGE	Director General Evaluation
EAP	East Asia and the Pacific
EBC	Ethics and Business Conduct Vice Presidency
EBRD	European Bank for Reconstruction and Development
ECG	Evaluation Cooperation Group
ED	Executive Director
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
E&S	Environmental and Social
ESG	Environmental, Social and Governance
ESRR	E&S Risk Rating
ETC	Extended-term Consultant
ETT	Extended-term Temporary
FCS	Fragile and Conflict-Affected States
FCV	Fragility, Conflict and Violence
FI	Financial Institution
FIAS	Facility for Investment Climate Advisory Services
FIGE	Financial Institutions Group Envelope
FMTAAS	Funding Mechanism for Technical Assistance and Advisory Services
FNA	Funding Needs Assessment
FTCF	Fast Track COVID-19 Facility
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAS	Generally Accepted Auditing Standards
GAFSP	Global Agriculture and Food Security Programme
GBVH	Gender-based Violence and Harassment
GEMS	Global Emerging Markets
GHG	Greenhouse Gas
GIA	Group Internal Audit
GLTP	Global Liquidity Trade Programme
GPS	Good Practice Standards
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development
ICMA	International Capital Markets Association
IDA	International Development Association
IDB	Inter-American Development Bank
IDD	Integrity Due Diligence
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institution
IL	Institutional Lead
IMF	International Monetary Fund
INT	Integrity Vice Presidency
IS	Investment Services
JCFA	Joint Cooperation Framework Agreement
JII	Joint Impact Indicators
KPI	Key Performance Indicator
LAC	Latin America and the Caribbean
LIC	Low-income Country
LMIC	Low and Middle Income Countries
LTF	Long-term Finance

M2D	Mandate-to-Disbursement (time in days)
MAR	Management Action Record
MCAT	Middle East, Central Asia, Türkiye, Afghanistan, and Pakistan
MCPP	Managed Co-lending Portfolio Program
MDB	Multilateral Development Bank
MFD	Maximising Finance for Development
MI	Micro-indicator
MIC	Middle Income Country
MIGA	Multilateral International Guarantees Agency
MO	Multilateral Organisation
MOPAN	Multilateral Organisation Performance Assessment Network
MSCI	Morgan Stanley Capital Investment
MSME	Micro-, Small- and Medium-sized Enterprises
NPL	Non-performing Loans
OECD-DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
PLR	Performance and Learning Review
PO	Portfolio Officer
PPE	Personal Protective Equipment
PPP	Public Private Partnership
PSW	IDA Private Sector Window
PWYF	Publish What You Fund
RAROC	Risk-Adjusted Return on Capital
RBM	Results-Based Management
ROAA	Return on Average Asset
ROAC	Return on Average Capital
SBO	Strategy and Business Outlook
SCD	Systematic Country Diagnostic
SDG	Sustainable Development Goal
SEA	Sexual Exploitation and Abuse
SEAH	Sexual Exploitation, Abuse and Harassment
SME	Small- and Medium-Sized Enterprise
STC	Short-term Consultant
STT	Short-term Temporary
STF	Short-term Finance
UMIC	Upper-Middle Income Countries
UNEG	United Nations Evaluation Group
WB	World Bank
WBAT	World Bank Administrative Tribunal
WBG	World Bank Group
WeFi	Women Entrepreneurs Finance Initiative
WESP	Warehouse-Enabled Securitisation Platform
XPSR	Expanded Project Supervision Report

INTERNATIONAL FINANCE CORPORATION (IFC)

PERFORMANCE AT A GLANCE

INTERNATIONAL FINANCE CORPORATION (IFC): PERFORMANCE AT A GLANCE

The International Finance Corporation (IFC), founded in 1956, is the World Bank Group's (WBG) private-sector arm. IFC's stated purpose is to further economic development by encouraging the growth of productive private enterprise in its member countries, particularly in less developed countries. IFC also seeks to stimulate and create an enabling environment for private investment in its countries of operation. In this way, the IFC complements the activities of the World Bank (WB), which constitutes the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). IFC currently has 186 member countries (versus 189 for the World Bank).

As part of the WBG, IFC has had two overarching goals throughout the review period that reflect the 2013 WBG strategy: ending extreme poverty by 2030 and boosting shared prosperity. This has been complemented by the 2016 WBG Forward Look, which established a road map to achieve these goals and 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. The Forward Look has been reinforced by IFC's institutional strategy, IFC 3.0, launched in December 2016. In October 2023, the WBG identified a new mission and vision to end extreme poverty and boost shared prosperity on a livable planet.

ORGANISATION AT A GLANCE

Established: 1956

Member Countries: 186

Headquarters: Washington, DC

Operations: in over 100 countries

Staff: Over 4 300 full-time staff and 1 000 FTE short term temporaries and consultants

Proportion of staff in country offices: 57%

FY23 Commitments: USD 43.7 billion

FY23 Disbursements: USD 21.1 billion

IFC has worked toward these goals through direct investment (investment services (IS)) as well as the mobilisation of capital from other lenders and investors. It also offers advisory services (AS) to businesses and governments to build capacity and encourage private investment and works upstream to create the conditions that unlock investment opportunities in member countries. As the largest private sector-facing Multilateral Organisation (MO), IFC also has a leadership role in establishing international standards for impact investment among International Financial Institutions (IFIs) and disseminating knowledge from its global operations.

Together with mobilisation from other investors, IFC committed USD 174.15 billion across 1,868 long-term finance (LTF) projects and USD 36.7 billion in own-account short-term finance (STF) between FY17 and FY22. Core mobilisation[1] peaked at USD 11.7 billion in FY18 and has ranged between USD 10.2-10.8 billion per year over the rest of the assessment period before increasing to USD 15 billion in FY23. In FY22, IFC's advisory portfolio totalled USD 1.4 billion, with more than 800 advisory projects in more than 100 countries.

This is the first MOPAN assessment of IFC. It uses an adapted framework that reflects the business model of private sector-facing organisations. The assessment takes stock of IFC's progress in implementing IFC 3.0 over the course of the assessment period, including key achievements, lessons and areas for improvement as the WBG implements its new mission and vision. IFC is a complex organisation, delivering its work through several highly technical processes, which are described further in the assessment report. In addition to assessing IFC's organisational effectiveness, this MOPAN assessment contributes to enhancing understanding of how private sector-facing organisations contribute to delivery of development results and support the Sustainable Development Agenda.

1. Reflecting non-IFC financing or risk sharing arranged on commercial terms due to the active and direct involvement of IFC for the benefit of a client.

POSITIONING IFC TO RESPOND TO AN EVOLVING DEVELOPMENT CONTEXT THROUGH IFC 3.0

In December 2016, IFC introduced a renewed strategic vision, IFC 3.0, to implement the 2016 Forward Look. IFC 3.0 emphasises IFC's role in market creation and mobilising resources through private sector solutions. This two-pronged approach responds to challenges in countries where private capital does not flow at a scale required to address major development gaps. Where markets are fragmented, missing, or nascent, IFC works with the WB, other Multilateral Development Banks (MDBs) and IFIs, and the International Monetary Fund (IMF) on policy and sector reform to expand opportunities for private sector-led growth.

Delivering on IFC 3.0 has been accompanied by a number of important institutional changes. These include a USD 5.5 billion Capital Increase Package (CIP), endorsed in 2018. The CIP included a series of policy commitments which identify institutional targets around crisis management, fragility, climate change, gender, knowledge and convening and regional integration that have guided IFC's strategic objectives, activities and accountability to its members throughout the assessment period. In particular, the CIP commitments reflect IFC's enhanced focus on the poorest, fragile and conflict-affected states (FCAS) identified in IFC 3.0.

Implementing IFC 3.0 has required a fundamental reshaping of IFC's business model over the course of the assessment period. This includes:

1. Introduction of new organisational structures and analytical products to identify opportunities to promote private sector-led development;

2. Creation of new tools and processes to promote a focus on development impact and promote investment in challenging markets, such as the Anticipated Impact Measurement and Monitoring (AIMM) framework,

3. Introduction of upstream work, IFC Country Strategies and country-driven budgeting to help identify and expand bankable investments in challenging markets;

4. An enhanced focus on blended finance and private capital mobilisation, including through the IDA Private Sector Window; and

5. A realignment of staff, resources and corporate results frameworks to the renewed strategic vision, including greater decentralisation of staff and changes to investment decision-making processes.

IFC 3.0 has been implemented in a challenging global context. COVID-19, high inflation, war in Ukraine, large macroeconomic imbalances, and shortages of energy, fertilizer, and food have caused the sharpest global economic downturn in 80 years. These challenges have made the investment environment in IFC's countries of operation and the implementation of IFC 3.0 more challenging. They further contributed to IFC's relatively slow average annual growth of the disbursed investment portfolio at .43% between FY19 and FY22 compared to 5.85% between FY16 and FY19. IFC's core mobilisation remained stable in absolute terms between FY20 and FY22 but accounted for a declining share of IFC's own long-term commitments in the latter half of the assessment period. COVID-19 contributed to a shift toward short-term finance (STF), with implications for IFC's loan and fee income. These trends have started to reverse as the pandemic has subsided.

IFC moved swiftly to respond to COVID-19 with an emphasis on market preservation. Within months of the outbreak of the pandemic, IFC approved an initial USD 8 billion Fast Track COVID-19 Facility (FTCF) consisting of trade, supply chain, liquidity and working capital finance through financial intermediaries (FIs) and direct support to existing real-sector clients. This was later supplemented by a second phase, including base-of-the pyramid support for low-income people and a USD 4 billion Global Health Platform, including USD 2 billion in mobilisation. From April to December 2020 alone, IFC provided USD 4.5 billion in support through the FTCF. Given the economic reality and pressing client needs, FTCF's focus was on market preservation rather than creation, impeding IFC's ability to scale up its market creation activities in line with IFC 3.0.

Despite the challenges it has faced, IFC has made important progress in strengthening its focus on development results and expanding operations in challenging markets. AIMM has contributed to enhancing the expected development impact of IFC's operations and alignment with global commitments, particularly for gender and climate. A 5-year upstream pipeline of over USD 29 billion had been established as of FY22, of which 31% is in IDA FCS and 52% is climate-related. IFC has yielded some initial results from the conversion of its upstream pipeline to committed projects. Upstream work has led to the conversion of USD 4.4 billion in LTF commitments in FY23, increasing from USD 1.1 billion in FY22. New fund windows such as the IDA-Private Sector Window (PSW) and the Creating Markets Advisory Window (CMAW) have further supported upstream work and scaling up of investment in challenging markets. Since FY17 when the PSW was established, IFC has committed more than USD 2.6 billion of PSW funds across 33 fragile and low-income countries.

However, the institutional changes made to implement IFC 3.0 have also yielded some unexpected challenges. These include: (i) increased reliance on consultants and temporary staff; (ii) challenges for transfer of knowledge internally; (iii) disruptions in follow-up to audit recommendations; and (iv) reduced timeliness of investment decision-making. Mandate-to-Disbursement (M2D) has been a key corporate performance indicator throughout the assessment period. Despite an initial corporate target of 150 days, decision-making timelines have lengthened, reaching 309 days in FY22. Some planned reforms, including a system to monitor the achievement of non-financial additionality for IFC's operations, did not materialise as expected. Finally, although the volume of operations in FCS have increased, development outcome ratings for IS in FCS have been on a downward trajectory throughout the assessment period, despite an overall increase in ratings for the rest of the portfolio, including IS and AS.

Growth of IFC's administrative expenditure outstripped portfolio growth, which has had implications for IFC's budget efficiency targets. The hiring of new staff and introduction of new units, tools and processes has contributed to IFC's administrative budget with average annual growth of 3.8% between FY17 and FY23, with IFC's total administrative expenditure including special initiatives demonstrating an average annual growth of 3.9% between FY16 and 22. This increase was anticipated based on the broad institutional changes required to implement IFC 3.0. However, IFC's disbursed investment portfolio has grown more slowly than expected over the assessment period (average annual growth of 3.1% from FY 16 to FY22). IFC's Budget Coverage Ratio (BCR), the ratio of IFC's administrative budget to loan and fee income, has increased over the assessment period, exceeding an initial target of 85% or below (from 83% in FY18 to 98% in FY21). This issue has been caused by multiple factors, including: (i) resources required to implement IFC 3.0; (ii) time lag for conversion of the upstream pipeline; (iii) slower than expected growth of the debt portfolio; (iv) the global macroeconomic environment and (v) lower than anticipated loan and fee income. IFC set new internal targets for the BCR in FY22 to be 95% or below, which have since been met. IFC's BCR is expected to return to 91% or below in FY24.

IFC's forward looking trajectory is positive with respect to disbursed portfolio growth, mobilisation and development results. In FY23, the challenges IFC has faced because of the pandemic started to subside. LTF commitments increased 37% to USD 31.7 billion, including mobilisation, which increased 41% to USD 15.02 billion, an institutional record, alongside short-term finance of USD 12.0 billion. The performance of IFC's operations has had an upward trajectory throughout the assessment period, grounded in steady improvements in its front-end work to prepare and structure investments. There is evidence that disbursed portfolio growth and conversion of upstream projects to committed investments is increasing, growing from USD 1.1 billion in FY20 to USD 4.4 billion in FY23. Lessons learned in the conversion of upstream projects should continue to be monitored and integrated into future investments and operations. Finally, IFC has consistently demonstrated strong performance for client satisfaction in line with corporate targets.

TAKING STOCK OF IFC'S TRANSFORMATION: KEY ACHIEVEMENTS AND STRENGTHS

Building upon the WBG's Country Engagement Model, IFC has implemented a range of new tools to identify opportunities for market creation within its countries of operation. Country Private Sector Diagnostics (CPSDs) help ensure that World Bank Group Country Partnership Frameworks (CPFs) are informed by evidence that identifies opportunities for market creation. 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. These innovative strategies, which target policy dialogue and reform priorities that will unlock investment opportunities through "if-then" statements, are updated every six months as the country context evolves.

IFC has a strong financial framework, which is regarded by ratings agencies as "best in class." This includes a strong Capital Adequacy Framework (CAF) and capital position. This is reinforced by a focus on mobilisation as a key pillar of IFC 3.0, including a wide range of innovative tools and platforms to mobilise investment funds and market borrowings. IFC's capital position is further complemented by a range of trust funds, which are key means of providing advisory services (AS) and blended finance. Portfolio performance and capital adequacy are monitored closely through strong risk management processes. IFC's Capital Utilisation Ratio (CUR) has remained within the established ratio of below 88% throughout the assessment period.

Implementation of IFC 3.0 has been supported by robust internal processes for resource allocation. IFC has a systematic and transparent budgeting process that aligns the allocation of resources to strategic priorities, reinforced by budget efficiency indicators such as the Budget Coverage Ratio (BCR) and Cost of Doing Business (CODB) 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. These innovations have been critical in accompanying the range of structural changes IFC has implemented to deliver IFC 3.0.

IFC has robust processes supporting internal control, accountability and risk management. Internal control functions such as audits are increasingly moving beyond good practice to implement more proactive and preventative approaches. Clear policies and procedures are in place and are implemented systematically to address any instance of fraud and corruption among staff. Internal audits have consistently identified robust and systematic processes and oversight to ensure that investments are implemented in accordance with institutional policies and requirements. IFC has also sought to strengthen systems for preventing, identifying and responding to Sexual Exploitation and Abuse and Sexual Harassment (SEAH).

Operational risks are managed proactively throughout the investment cycle. IFC has a comprehensive operational risk management framework that covers a range of risks throughout the investment lifecycle, including credit risk, client capacity and integrity due diligence (IDD) and environmental and social (E&S) risk. Regular investment supervision feeds into a robust portfolio monitoring function, which plays an important role in managing operational risk through quarterly reporting. Through this system, IFC identifies and addresses underperformance on an ongoing basis to recover its exposure and identify lessons, including through a dedicated Special Operations function.

In implementing IFC 3.0, IFC has made important progress in enhancing the development and market outcomes of its investments. The integration of AIMM into investment decision-making and monitoring has provided a strong and credible basis to identify investments with potential to yield development and market outcomes through a structured, standardised approach. As the AIMM portfolio matures, there are opportunities to build upon this system to report on the ex-post achievement of development outcomes, particularly for cross-cutting issues.

IFC has strengthened its leadership on global and cross-cutting issues in line with the Forward Look. Cross-cutting themes, including gender, climate change, fragility and market creation, have been fully integrated into IFC's corporate scorecard and strategy and planning processes. New analytical products such as the Country Climate and Development Report (CCDR) have been introduced to ensure cross-cutting themes are considered in the design of country strategies, advisory work and investments. Tools such as the gender flag and greenhouse gas (GHG) accounting help further mainstream cross-cutting themes into investments. IFC also monitors a range of "reach" indicators internally to capture IFC's contribution to strategic objectives for gender and climate. AIMM plays an important role in strengthening IFC's focus on cross-cutting themes across the portfolio and supporting ongoing monitoring.

IFC has demonstrated leadership among development finance institutions (DFIs) with respect to promoting good standards, mobilisation and blended finance. Through its participation in and leadership of several joint-DFI platforms, IFC has made an important contribution to standard-setting among DFIs and private investors. Other forums where IFC has demonstrated leadership include the development of the IFC Performance Standards, the MDBs' Harmonised Framework for Additionality and the DFI Enhanced Blended Concessional Finance Principles for Private Sector Operations. IFC is also piloting good practices in this area through the establishment of a blended finance centre of expertise and the launch of project-level reporting on level of subsidy. IFC is a leader in mobilisation among MDBs and DFIs, with Joint MDB Reporting noting that IFC accounts for more than 27% of mobilisation among low-income countries (LICs) and middle-income countries (MICs) across 8 MDBs and 15 DFIs

IFC demonstrates a clear organisational commitment to results-based management (RBM) and actively uses performance evidence to guide decision-making. IFC's corporate scorecard has been revised over the course of the assessment period to maximise its use as an accountability and performance tool. Management and the Board receive comprehensive quarterly reporting against the scorecard alongside other management analysis, including an identification of drivers of performance and underperformance. Scorecard targets are cascaded to Vice-Presidential and departmental units and has traditionally been linked to departmental awards. Performance against the scorecard is reported publicly through annual Strategy and Budget Outlook reports (SBOs). At the outset of the assessment period, a series of joint IEG-IFC Management Deep-Dive reviews were held to identify drivers of weakening performance across operations. The changes implemented as a result of these reviews have played a key role in IFC's positive performance trajectory.

FINE-TUNING THE IMPLEMENTATION OF IFC 3.0: AREAS FOR FURTHER ATTENTION

There remains room to strengthen a "One Bank" approach to mobilising private finance and creating an enabling environment for investment. Progress has been achieved in implementing joint CPFs, including through the Country Private Sector Diagnostic (CPSD). However, opportunities remain for ensuring that IFC's upstream, investment and advisory activities are better reflected in WBG Country Partnership Frameworks, including results frameworks. This would involve: (i) better positioning CPFs to reflect policy operations, dialogue and upstream work that supports an enabling environment for investment; and (ii) strengthening the implementation of the Cascade approach. Consideration should be given to support ongoing dialogue between IFC and the WB around key priorities for policy reform that will expand the scope of opportunities for private sector-led investment.

Despite recent initiatives to enhance the collection and dissemination of lessons internally, knowledge management remains an area of opportunity for IFC. Knowledge management has been highlighted as essential to the implementation of IFC 3.0 in harnessing operational knowledge to expand investment and contribute to development outcomes in challenging contexts. Since a critical FY20 audit, IFC has sought to introduce a range of platforms, dashboards, and technology enablers to promote the harvesting and dissemination of lessons, including through a mandatory process for underperforming investments. IFC is now working to finalise a knowledge management strategy to formalise roles and responsibilities around the identification, communication and uptake of lessons. Additionally, IFC is working on strengthening feedback loops from independent evaluation through an IEG/

IFC working group to enhance coherence among key performance reporting tools, notably AIMM and the Expanded Project Supervision Report (XPSR).

There remains room for improvement in implementing a systematic approach to additionality. IFC has made important progress throughout the assessment period, including adopting a new additionality framework, regarded as a good practice among MDBs. The additionality and "role and contribution" of IFC's operations have similarly improved over the latter half of the assessment period. IFC's IS projects systematically demonstrate financial additionality. However, the realisation of expected non-financial additionality has been more uneven. A major challenge is the absence of a system for monitoring of the realisation of anticipated non-financial additionality throughout the investment lifecycle, which is often delivered through AS.

IFC's Performance Standards could be updated to reflect emerging challenges, such as SEAH, and implementation and monitoring of client grievance mechanisms could be further strengthened. Through the Equator Principles, IFCs Performance Standards (PS) have become the global standard used for commercial finance in emerging markets. However, the PS have not been updated since 2012 and there are opportunities to better cover emerging issues such as Sexual Exploitation and Abuse and Sexual Harassment (SEAH). Although emerging topics have been covered by recent Guidance Notes developed in collaboration with partners, these are not mandatory and carry less weight than the PS. Despite ongoing efforts to strengthen IFC's E&S Risk Monitoring and the role of the Compliance Advisor Ombudsman (CAO), the implementation and monitoring client grievance mechanisms and external communication mechanisms have been inconsistent over the period, IFC will seek to reinforce capacity among its clients and staff in this regard over the coming years.

Despite IFC's success in implementing a range of targeted tools and programmes to expand investment in FCS, an ongoing decline in development outcomes merits attention. Across the assessment period, investments in FCS have more than doubled, reflecting IFC's commitment to scale up investment in FCS countries in line with the Forward Look and IFC 3.0. Furthermore, AIMM scores for IS in FCS have consistently exceeded institutional benchmarks and the average for the rest of the portfolio, reflecting strong potential for market creation and development outcomes. However, development outcome ratings for FCS have declined throughout the assessment period, from 60% positive between 2015-17 to 20% positive between 2019-21. While COVID-19 likely contributed to these challenges, investment performance in FCS merits close follow-up to identify and address other potential drivers.

IFC's RBM approach could be further enhanced through expanded public reporting and a stronger emphasis on outcomes, particularly for cross-cutting themes. Although CIP commitments and corporate scorecard indicators are reflected throughout IFC's corporate strategies, they tend to be input and output-driven rather than reflecting ex-post contribution to development results. IFC publishes annually a set of gender-disaggregated reach indicators demonstrating contribution to addressing key development gaps. In addition, AIMM scores provide a general overview of potential development outcomes across the portfolio ex-ante. However, these indicators do not yet reflect on the extent to which projects have contributed to their intended development outcomes ex-post. IFC is taking steps to implement such ex-post reporting as the portfolio under AIMM monitoring matures. Scorecard targets are set and changed in consultation with the Executive Board; however, there is scope to better communicate how and why scorecard targets have changed in public documents.

CONSIDERATIONS FOR IFC'S FUTURE TRAJECTORY

IFC 3.0 remains relevant in the context of WBG evolution, but enhancing collaboration across the WBG will be essential. This focus on enhancing WBG collaboration to promote an enabling environment for investment and enhance mobilisation is clear in the WBG's new mission and vision identified in October 2023. The complexity of development challenges and the scale of ongoing needs will require strong collaboration within the WBG and for IFC to work in strategic partnerships with other organisations and generate synergies for delivering on the Sustainable Development Agenda. IFC will need to further strengthen mobilisation and co-financing through the identification of innovative approaches that address both financial and contextual constraints to investment.

There is now an opportunity for IFC to build upon initial progress in implementing IFC 3.0 to optimise the implementation of its strategic vision. Large scale strategic and structural changes are beginning to yield results with respect to stronger development outcomes of IFC investments, increased investment in challenging markets and enhanced mobilisation. In correcting course, IFC should now focus on fine-tuning implementation to address emerging challenges, including:

- Strengthening collaboration with the World Bank to enhance policy dialogue and upstream engagement, expand opportunities for private-sector-led development and create an enabling environment for private capital mobilisation, including by building on lessons learned from the Cascade approach and CPFs.
- Consolidating progress achieved in strengthening knowledge management throughout the organisation through the approval of a knowledge management strategy with clear roles and accountabilities to promote organisational learning.
- Strengthening the role of AIMM in creating feedback loops and demonstrating the achievement of results for cross-cutting themes, including through outcome-level scorecard indicators for gender and climate.
- Strengthening IFC's leadership in the management of E&S Risk by updating the Performance Standards and strengthening the implementation and monitoring of client grievance mechanisms.
- Building upon lessons from the FTCF to streamline timeframes for investment decision-making.

Each organisation MOPAN assesses has a unique mandate and operating context. Comparison to other assessed organisations and previous assessments by MOPAN is strongly discouraged due to changes in methodology over time and differences in the scale, operating context, and comparative advantage of different organisations.

Box 2. Main strengths and areas for attention

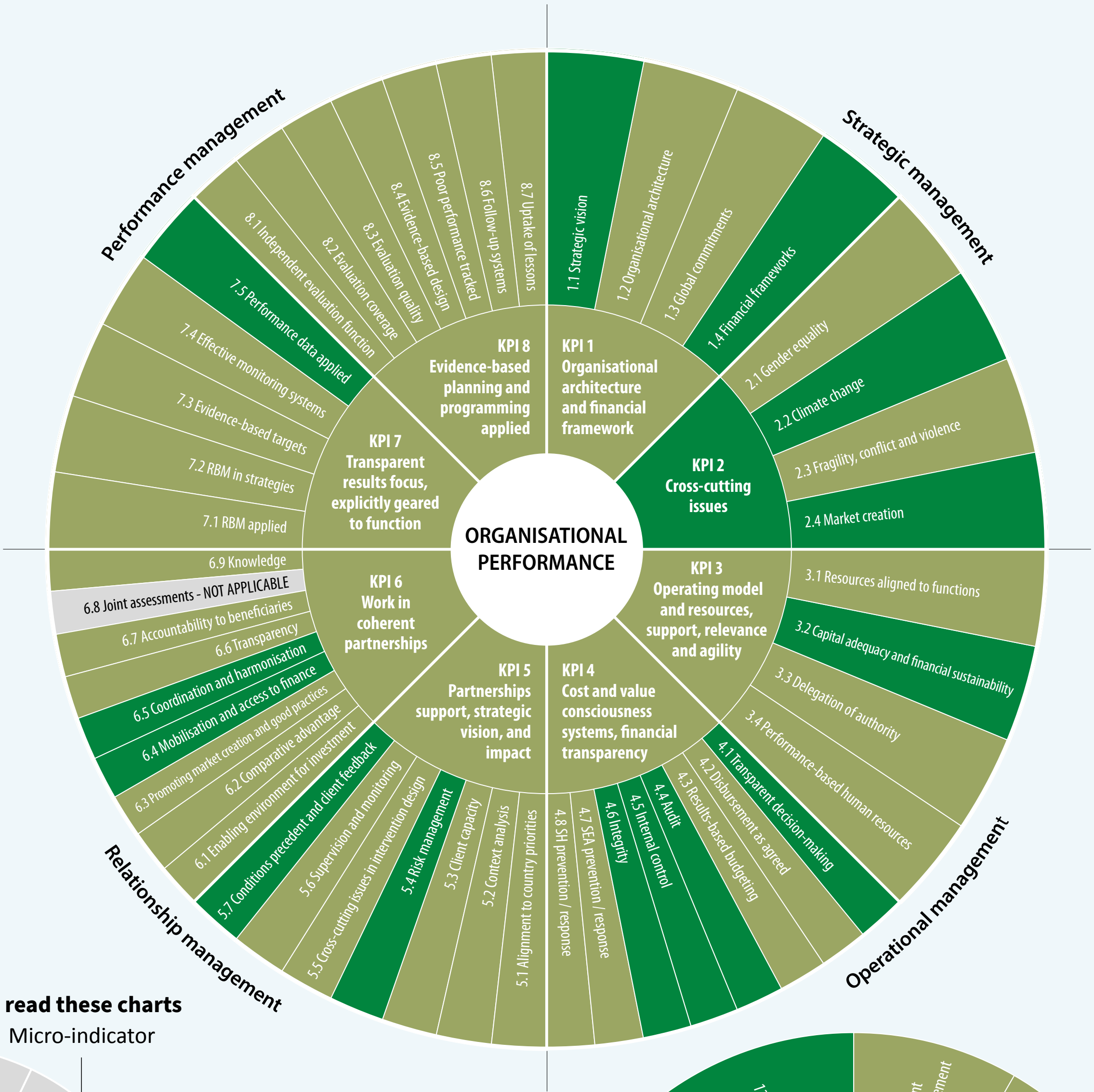
Main Strengths

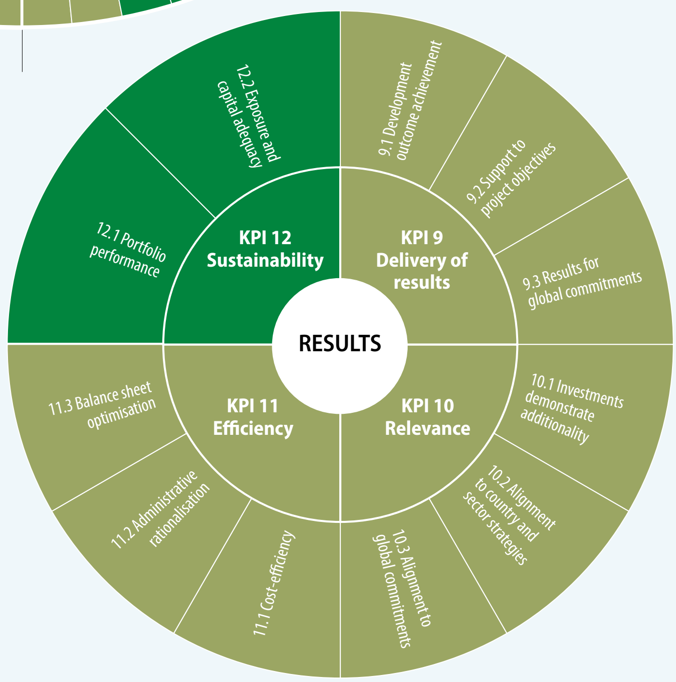
- Good progress has been achieved in aligning IFC's organisational structure, resources and operations to IFC 3.0 with a focus on market creation and resource mobilisation.
- IFC has a strong capital position and a sound framework for ensuring financial sustainability.
- Strong systems are in place for risk management and accountability across the investment cycle.
- IFC has implemented effective tools to enhance the development and market outcomes of its investments and support decision-making and accountability, including AIMM.
- IFC has played a leadership role in supporting global issues, including ongoing coordination with DFIs and other partners and its leadership role in several areas. For example, IFC has led the establishment of principles guiding the use of blended concessional finance.
- IFC has a consistent track record of using data to make decisions and change course to enhance performance. This includes extensive corporate reporting and dashboards, external and internal reviews and joint IFC-IEG reports.

Areas for Attention

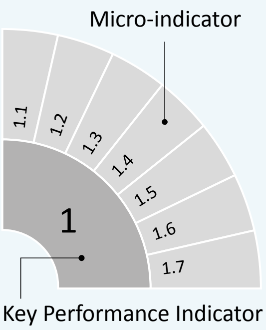
- There remain opportunities to strengthen the "One Bank" approach across the World Bank Group with respect to the Cascade approach and creation of an enabling policy environment for investment.
- There are opportunities to further capitalise on IFC's efforts to enhance knowledge management in line with IFC 3.0 through the finalisation of a knowledge management strategy with a stronger governance framework.
- Although IFC has taken positive steps toward reinforcing additionality across its investments, there continues to be no system for monitoring of the realisation of anticipated non-financial additionality throughout the investment lifecycle, which is often delivered through AS.
- There are opportunities to update IFC's Performance Standards to better reflect emerging challenges such as SEAH and strengthen IFC's accountability, particularly with respect to the implementation and monitoring of client grievance mechanisms.
- The performance of IFC's investments in FCS with respect to development outcome achievement has declined over the course of the assessment period, warranting an examination of the underlying drivers.
- IFC's RBM approach could be further enhanced through expanded public reporting and a stronger emphasis on outcomes, particularly for cross-cutting themes.

FIGURE 1: **OVERVIEW OF MOPAN ASSESSMENT RATINGS**





How to read these charts



Highly satisfactory (3.51-4.00)

Satisfactory (2.51-3.50)

Unsatisfactory (1.51-2.50)

Highly unsatisfactory (0-1.50)

No evidence / Not applicable

BACKGROUND TO THE INTERNATIONAL FINANCE CORPORATION (IFC)

INTRODUCING IFC

Mission and mandate

The International Finance Corporation (IFC), founded in 1956, is the World Bank Group's (WBG) private-sector arm. IFC's stated purpose is to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in less developed countries. In this way, the IFC complements the activities of the World Bank (WB), which comprises the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

IFC's purpose, according to its Articles of Agreement, is threefold:

(i) in association with private investors, assist in financing the establishment, improvement and expansion of productive private enterprises which would contribute to the development of its member countries by making investments, without guarantee of repayment by the member government concerned, in cases where sufficient private capital is not available on reasonable terms;

(ii) seek to bring together investment opportunities, domestic and foreign private capital, and experienced management; and

(iii) seek to stimulate and to help create conditions conducive to the flow of private capital, domestic and foreign, into productive investment in member countries.

As part of the WBG, IFC has two overarching goals throughout the assessment period that reflect the 2013 WBG strategy and are aligned to the Sustainable Development Goals (SDGs): — ending extreme poverty by 2030 and boosting shared prosperity. IFC accomplishes these goals through direct investment (IS) as well as the mobilisation of capital from other lenders and investors. It also offers advisory services (AS) to businesses and governments with the aim of encouraging private investment and improving the investment climate in member countries. IFC coordinates the finance of development projects, strengthens their performance and promotes an enabling environment for the private sector, while ensuring financial sustainability in its activities. In September 2023, the WBG identified a new mission to "end extreme poverty and boost shared prosperity on a livable planet." (WBG, 2023).

IFC's primary role involves financing and coordinating the finance of development projects, strengthening their performance through advisory services and promoting an enabling environment for the private sector while ensuring sustainability of its activities. They also play a normative role in establishing international standards for impact investment, often implemented in cooperation with other private sector-oriented international financial institutions (IFIs). As the largest globally operating private sector-oriented multilateral organisation (MO), IFC also plays an important role in distilling and disseminating knowledge from its global operations.

Since December 2016, IFC has been guided by its corporate strategic vision, IFC 3.0. IFC 3.0 emphasises the institution's role in creating and opening private markets with a greater focus on the poorest and fragile and conflict-affected countries. This approach entails responding to challenges in countries where private capital does not flow at a scale required to address major development gaps. IFC provides investment and advisory services to both governments and private sector clients to address these challenges. Where markets are fragmented, missing, or nascent, IFC works with the WB, other Multilateral Development Banks (MDBs) and International Financial Institutions (IFIs), and the International Monetary Fund (IMF) on policy and sector reform. To this end, they use Country Private Sector Diagnostics (CPSDs) to identify promising sectors and apply available risk mitigation instruments and advisory services to support clients to invest in challenging environments. The goal of these activities is to expand the pipeline of bankable private sector projects.

IFC works closely with the WB to maximise opportunities to mobilise private investment in its countries of operation under a WBG strategy to Maximise Finance for Development (MFD), launched in 2017. A “Cascade” approach is envisioned across the WBG to help maximise finance for development, including through the private sector. The Cascade is intended to give priority to private sector solutions, preceded by legal, regulatory and institutional changes where necessary and accompanied by de-risking instruments, such as blended finance or (partial) risk guarantees or first-loss arrangements. This approach is meant to identify opportunities for private sector-led development and enhance mobilisation and investment. However, IFC’s stakeholders note limited opportunities to engage where the approach is not applied consistently by the WB in identifying operations.

Through IFC 3.0, IFC aims to harness a range of new tools and platforms to achieve these goals, including: (i) the IDA Private Sector Window (PSW); (ii) the Anticipated Impact Measurement and Monitoring (AIMM) system for ex-ante and performance impact measurement and monitoring; (iii) blended finance and other de-risking tools; (iv) IFC country strategies; and (v) an “upstream” approach to developing new investment opportunities.

Implementing IFC 3.0 has required a fundamental reshaping of IFC’s business model over the course of the assessment period, including:

(i) a stronger focus on analysis to identify public and private sector engagements that bring about market and sector-level impact and assess development impact;

(ii) a more strategic approach to partnerships, including to enhance mobilisation and shape and set standards for all MDBs on the use of blended finance;

(iii) a new organisational structure along with a revised accountability and decision-making framework (ADM); and

(iv) an alignment of strategy and resources, including more resources devoted to upstream work and enhanced decentralisation of staff.

Important developments during the assessment period also include a USD 5.5 billion capital increase, endorsed in 2018 and effective in 2020, which also enabled IFC to quickly respond to the COVID-19 crisis.

Governance arrangements

IFC is overseen by its Board of Governors, consisting of one Governor and one Alternate Governor appointed by each member country. The office of Governor is usually filled by the country’s minister of finance, the governor of its central bank, or a senior official of similar rank who typically serves a term of five years with potential for reappointment. The Board of Governors is the senior decision-making body, vested with all the powers of IFC per the Articles of Agreement.

IFC’s Board of Governors delegates most powers to a Board of 25 Executive Directors (EDs) that oversees the general operations of the Corporation. IFC’s Board of Directors (the Board) is appointed or elected by the constituency country or countries whom she or he represents. The Board is composed ex-officio of each ED of the World Bank who has been either: (i) appointed by a member of the World Bank, which is also a member of the Corporation, or (ii) elected by at least one member of the World Bank which is also a member of the Corporation. The EDs meet regularly at the WBG headquarters in Washington, D.C., where they review and decide on investments and provide overall strategic guidance to IFC management.

There are several WBG Board committees which do not have direct decision-making authority but support the Board in its decision-making. The five standing committees for the Board include:

(i) The Audit Committee, which assists in Board oversight of WBG finances, accounting, risk management, internal controls and institutional integrity;

(ii) The Budget Committee, which assists in Board budget approval and oversight of the preparation and execution of their business plan;

(iii) The Committee on Development Effectiveness, which supports the Board in assessing IFC's development effectiveness and overseeing the work of the entities of the accountability framework (e.g., the Independent Evaluation Group (IEG) and the Compliance Advisor/Ombudsman for IFC);

(iv) The Committee on Governance and Executive Directors' Administrative Matters, which oversees issues related to governance, Board effectiveness and the administrative policy of EDs' offices; and

(v) The Human Resources Committee, which enhances oversight of the WBG Human Resources strategy, policies and practices, and their alignment with the business needs of the organisation.

Each member country receives votes consisting of share votes, with one vote for each share of IFC's capital stock held by the member, plus basic votes. As a result, shareholdings in in IFC differ from shareholdings in the World Bank, mainly because IFC voting power is linked to paid-in, rather than callable capital. IFC currently has 185 member countries versus 189 for the World Bank.

The President of the World Bank is ex-officio Chairman of the Board of Directors of IFC but does not vote except to cast a deciding vote in case of a tie. The Board of Directors, on the recommendation of the Chairman, appoints IFC's Managing Director. The IFC Managing Director is responsible for the organization, appointment and dismissal of the officers and staff, and conduct of the general business of the Corporation.

The Board is required to consider proposals made by the President on policies that affect its general operations including the use of IFC's net income. The Board is also responsible for presenting to the Board of Governors audited accounts, an administrative budget, and an annual report on operations and policies and on other matters in the context of the WBG Annual Meetings. The Board and its committees are in continuous session at its Headquarters in Washington, D.C.

IFC's articles of agreement clarify its relationship with the World Bank: IFC "shall be an entity separate and distinct from the Bank and the funds of [IFC] shall be kept separate and apart from those of the Bank"(IFC 2020e).

Organisational structure

IFC has made significant changes to its organisational structure since the start of the assessment period, including:

- Creation of Economics and Private Sector Development Vice Presidency, the Communications and Outreach team and a Blended Finance Department (FY17);
- Introduction of Regional Vice Presidents to strengthen its focus on regional approaches (FY 17);
- Closer alignment between advisory teams and investment teams with the objective of prioritising upstream work and proactive project development (FY 18);
- Creation of two separate departments for Environmental, Social, and Governance (ESG) issues, with the objective of creating a new system of internal checks and balances in IFC operations (FY20);

- Merger of the IFC Asset Management Company (AMC) into the IFC as a Vice Presidential unit, while maintaining its independence for decision-making and its fiduciary duty to investors (FY20);

In addition to these changes, over 200 employees were specifically recruited to support the implementation of IFC 3.0. As of June 2023, IFC had over 4,300 full-time staff with an additional 1,000 full-time equivalent (FTE) staff consisting of short-term temporaries (STTs) and consultants (STCs; IFC 2023c). Nearly 57 % of staff were located in country offices as of FY22.

Figure 2 on pages 24-25 shows IFC's current organisational chart.

Finances and operations

Financial Resources and Business Model

To complement its capital, IFC raises nearly all funds for lending activities through the issuance of debt obligations in international capital markets, while also maintaining a small borrowing window with IBRD. IFC funds its liquid assets from two sources: borrowings from the market (the Funded Liquidity Portfolio) and capital (the Net Worth Funded Portfolio).

IFC plays an active and direct role in mobilising additional funding from other investors and lenders through a variety of means, including loan participations, parallel loans, the Managed Co-lending Portfolio Program (MCPP), the non-IFC portion of structured finance transactions, and the non-IFC portion of commitments in funds managed by the IFC AMC (Asset Management Company). Investors in funds managed by the AMC have included sovereign wealth funds, national pension funds, multilateral and bilateral development institutions, national development agencies and international financial institutions (IFIs).

Table 1 outlines IFC's funding resources in Fiscal Years (FY) 2019 to 2022.[1] IFC's Governors approved a significant financing package in 2018, converting a portion of retained earnings to paid in capital (hence the big change from FY19 to FY20), and identifying a selective capital increase and a general capital increase, providing up to USD 5.5 billion in additional paid-in capital.

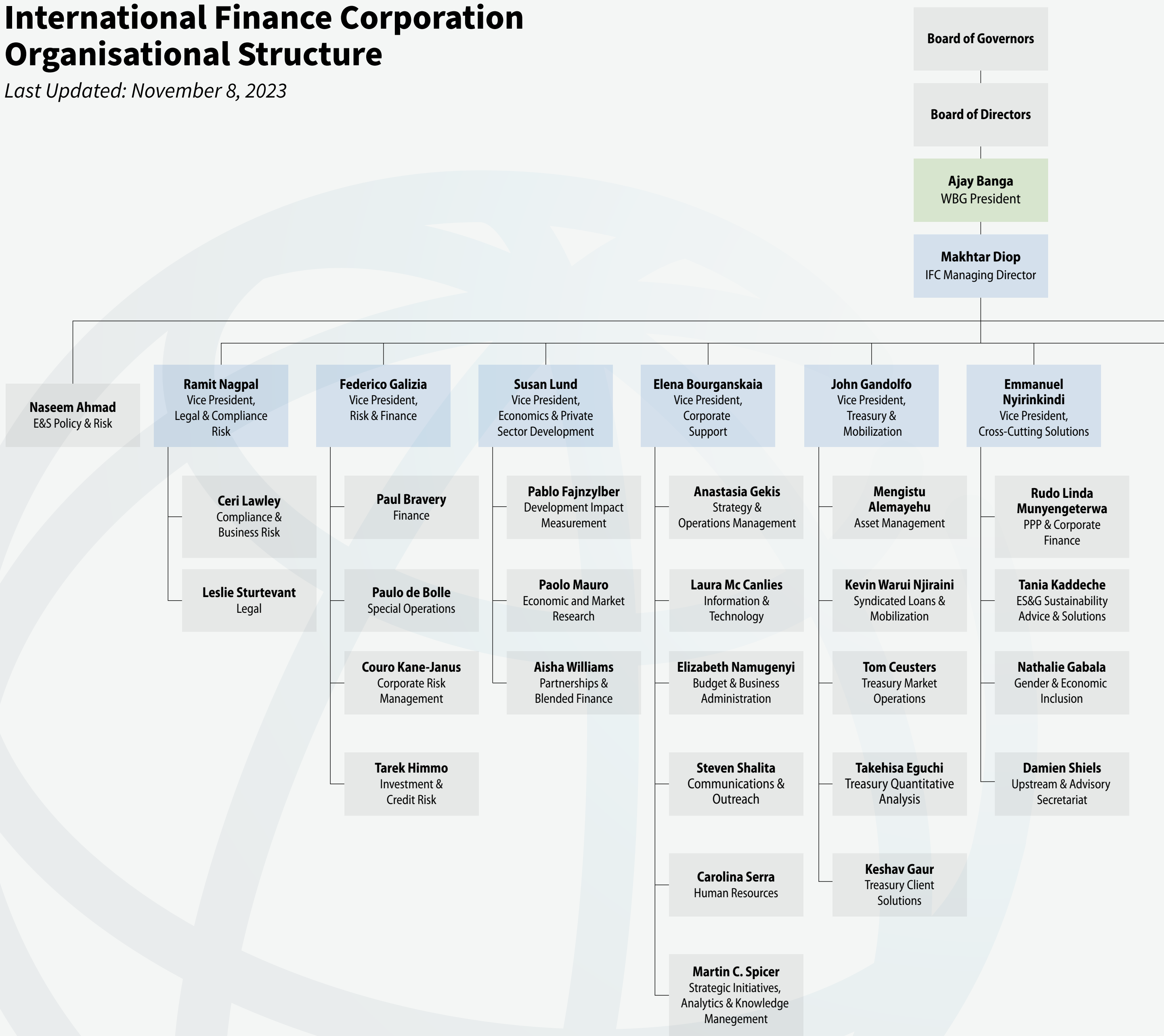
TABLE 2. **IFC FUNDING RESOURCES (USD MILLION)**

	FY19	FY20	FY21	FY22
Borrowings from market sources	51 222	50 414	52 890	49 923
Paid-in capital	2 567	19 567	20 760	21 749
Retained earnings	26 721	7 599	11 602	11 138
Discount Note Program and other short-term borrowings	2 207	2 994	2 615	2 327
Borrowings from IDA	721	597	472	358

Source: IFC Annual Reports – Financials for FY 2020, 2021 and 2022

1 Note that IFC's Fiscal Year (FY) runs from July 1 of the previous year to June 30.

FIGURE 2: **IFC ORGANIGRAM**



Source: www.ifc-organization-chart

International Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

- **Alfonso Garcia Mora** — Regional Vice President, Europe & Latin America
  - **Rana Karadsheh** — Europe
  - **Beatrice Maser** — Western Europe
  - **Elizabet Ann Marcano** — Central America & the Caribbean, Colombia, Mexico
  - **Manuel Reyes-Retana** — Latin America and Caribbean – South America
  - **Vacant** — MAS LAC
  - **Tatiana Bogatyreva** — MAS EUR
  - **Vittorio Di Bello** — FIG LAC
  - **Marcelo Castellanos** — FIG EUR
  - **Adil Marghub** — INR LAC
  - **Cheryl Edleson Hanway** — INR EUR
- **Sergio Pimenta** — Regional Vice President, Africa
  - **Mary Porter Peschka** — Eastern Africa
  - **Olivier Buyoya** — Western Africa
  - **Dahlia Khalifa** — Central Africa & Liberia, Nigeria, Sierra Leone
  - **Cláudia Conceição** — Southern Africa
  - **Cheik-Oumar Sylla** — North Africa
  - **Henrik Pedersen** — MAS Africa
  - **Aliou Maiga** — FIG Africa
  - **Sarvesh Suri** — INR Africa
- **Hela Cheikh Rouhou** — Regional Vice President, Middle East, Central Asia, Turkey, Afghanistan & Pakistan
  - **Aftab Ahmed** — Middle East, Pakistan & Afghanistan
  - **Wiebke Schloemer** — Central Asia & Turkey
  - **Ashruf Megahed** — MAS MCT
  - **Momina Aijazuddin** — FIG MCT
  - **Vacant** — INR MCT
- **Riccardo Puliti** — Regional Vice President, Asia & Pacific
  - **Vacant** — South Asia
  - **Tadashi Yokoyama** — Tokyo Office
  - **Kim-See Lim** — East Asia & Pacific
  - **Carsten Mueller** — MAS South Asia & EAP
  - **Allen Forlemu** — FIG South Asia & EAP
  - **Isabel Chatterton** — INR South Asia & EAP
- **Mohamed Gouled** — Vice President, Industries
  - **Bertrand De la Borde** — Infrastructure
  - **Vacant** — Energy & Mining
  - **Tomasz Telma** — Financial Institutions
  - **Nathalie Louat** — Trade & Supply Chain Finance
  - **Wagner Albuquerque de Almeida** — Manufacturing, Agribusiness, & Forestry
  - **Farid Fezoua** — Health, Education & Services
  - **William Sonneborn** — Disruptive Technology & Funds
  - **Ousseynou Nakoulima** — Portfolio Management
  - **James Fergusson** — Climate Business
- **Mary-Jean Moyo** — IFC MD Chief of Staff

IFC's income has been volatile in recent years. From year to year, IFC's net income is affected by a number of factors that can result in volatile financial performance, including the overall market environment (IFC 2020d). IFC reported positive net income (gains) of USD 1 418 million in FY17, USD 1 280 million on FY18 and USD 93 million in FY19. This was followed by losses of USD 1 672 million in FY20, gains of USD 4 209 million in FY21 and losses of USD 464 million in FY22.

The FY20 loss was primarily due to the following market trends (IFC 2020d):

- Lower income from loans, guarantees and associated derivatives because of lower LIBOR rates, lower front-end fee income, and lower payments received on capitalised interest from restructured debt compared to FY19;
- Higher unrealised losses on equity investments and associated derivatives, largely due to a decline in valuations due to the impact of COVID-19;
- Higher provisions for losses on loans, guarantees, accrued interest and other receivables, largely due to a deterioration in credit ratings of individual loans due to COVID-19; and
- Lower income from liquid asset trading activities.

The adoption of a new accounting practice (ASU 2016-01) in FY20, requiring equity investments to be recorded at fair value through net income, increases the volatility of income and reduces the comparability of the figures before and since FY20. IFC's net income was USD 4 209 million in FY21, mainly driven by the rebound in equity valuations after the immediate effect of COVID-19.

Country Engagement

The WBG supports countries through their Country Engagement Model (CEM), which consists of Country Engagement Cycles (see Figure 2). IFC's CPSDs contribute to a Systematic Country Diagnostic (SCD), which informs the design of WBG Country Partnership Frameworks (CPF; WBG 2021d)). The CEM is designed to:

(i) ensure CPFs are based on the latest evidence and analysis;

(ii) identify WBG priorities for engagement, promoting sustainable poverty reduction and shared prosperity in a selective way based on the WBG's comparative advantage and the development priorities of national governments;

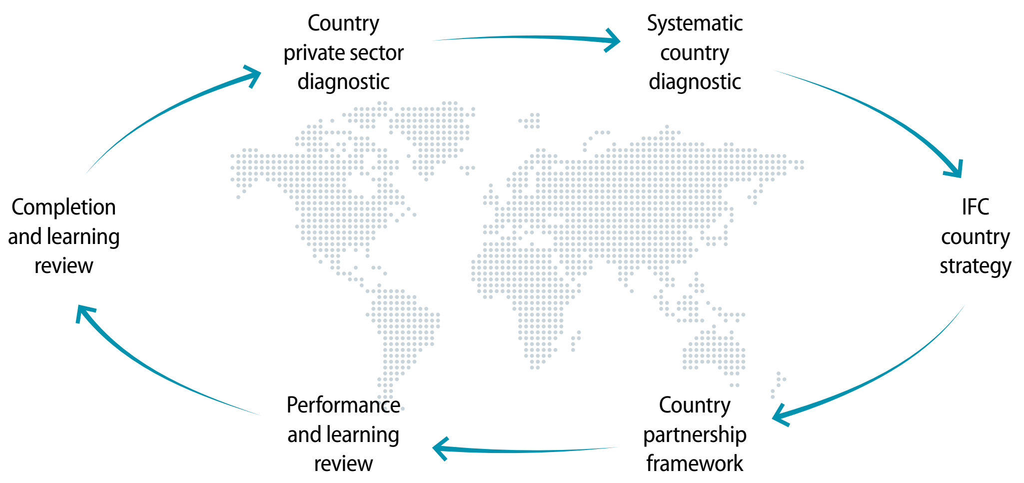
(iii) take stock of performance to adjust the CPF as required in light of changing circumstances and identify lessons learned; and

(iv) create feedback loops through independently validated self-assessments that provide lessons for future diagnostics and CPFs.

In this context, IFC has led the completion of CPSDs as joint IFC-WB products and works with other WBG entities through the Cascade approach to prioritise opportunities for private sector solutions as part of the CPF. In parallel, IFC also develops, implements and monitors its own country strategies which reflect IFC's value addition in addressing country development gaps and priorities identified in the WBG CPF. Alongside the World Bank, IFC will be implementing an updated Country Private Sector Diagnostic (CPSD 2.0). The updated CSPD 2.0 will be reframed to help identify concrete policy interventions and provide a stronger basis for policy dialogue, supporting the "One Bank Group" approach and the creation of an enabling environment for private investment (WBG, 2023).

A description of each milestone in the Country Engagement Model is provided in Box 3.

FIGURE 3. **COUNTRY ENGAGEMENT CYCLE**



Source: https://www.worldbank.org/en/projects-operations/country-strategies

Box 3. Key Deliverables of the Country Engagement Model

Country Private Sector Diagnostic (CPSD). CPSDs provide an evidence-based assessment of opportunities and constraints for private sector-led growth in partner countries. These diagnostics describe the state of the private sector, opportunities for short-term engagement by IFC and recommendations for policy and regulatory reforms to mobilise private investment. The CPSDs provide a common analytical basis to shape policy dialogue and input into the SCD.

Systematic Country Diagnostic (SCD). The SCD draws upon the CPSDs prepared by WBG staff in consultation with national authorities and other stakeholders. It serves as a reference point for the client consultations on priorities for the WBG's country engagement. The SCD compiles opportunities and barriers with respect to promoting sustainable poverty reduction and shared prosperity, providing an analytical foundation for country programmes and private sector investments.

IFC Country Strategy. The IFC Country Strategies are internal documents which draw upon the CPSD and SCD to shape the strategy and define sequenced set of activities (investment, advisory, and upstream) for IFC engagement and programming in IFC's countries of operation. IFC Country Strategies are updated every six months as the investment context evolves.

Country Partnership Framework (CPF). The CPF draws upon the SCD and outlines priorities for WBG engagement based on comparative advantage, resource availability and country ownership. The CPF further outlines results-based frameworks in line with national development priorities and potential risks. The CPF may be complemented by implementation plans that identify opportunities for joint implementation with peer organisations.

Performance and Learning Review (PLR). The PLR is prepared mid-way through the CPF cycle in collaboration with national authorities to take stock of implementation progress, identify changes in circumstances and lessons learned to inform mid-course corrections.

Completion and Learning Review (CLR). The CLR is a self-assessment of performance in implementing the CPF against the original results framework. The CLR is subsequently validated by the IEG. Lessons identified in the CLR feed into the development of the next CPSD and SCDs and future CPFs.

FIGURE 4. **IFC INVESTMENT CYCLE**

1. Business development
Guided by strategic goals, IFC attempts to understand client needs and its potential role. IFC has increasingly actively engaged upstream to promote a business environment conducive for investments.

2. Early review
Investment officers prepare a project description, IFC's role, anticipated development contribution, & potential deal-breakers, considering lessons learned. IFC senior management then decides whether to authorise project appraisal.

3. Appraisal
Investment team assesses business potential, risks, & opportunities associated with the investment through discussions with client and site visits. Key assessments conducted on risks and possible development outcomes (e.g. AIMM).

4. Investment review
Departmental management decides whether to approve the project after project team recommendation. IFC must be confident the client is able and willing to meet IFC standards and work to improve sustainability of their enterprise.

5. Negotiations
Project team negotiates terms and conditions of IFC participation in the project, including disbursement and covenants, performance and monitoring requirements, agreement of action plans and resolution of any outstanding issues.

6. Public notification
IFC posts Summary Investment Information (SII) for the project and the Environmental and Social Review Summary, where applicable. The ESG category of the project determines the length of the disclosure period.

7. Board review & approval
Project is submitted to IFC's Board of Directors for consideration/approval. Each investment must have economic, financial, & development value and reflect IFC's commitment to sustainability.

8. Commitment
At this stage, IFC and the client sign the legal agreement for the investment.

9. Disbursement of funds
Funds are paid out in stages or on condition of certain steps being completed as agreed in the legal agreement.

10. Project supervision & development outcome tracking
IFC monitors investments for compliance with loan agreement and tracking key development indicators. Clients submit regular reports on financial, social & environmental performance.

11. Evaluation
Projects are evaluated on a regular basis and annual evaluations are conducted based on a stratified random sample of projects that have reached early operating maturity.

12. Closing
IFC considers the project closed when the investment is repaid in full or when IFC exits by selling its equity stake. In specific cases IFC may write off the investment. IFC's goal is to help the client reach a high level of sustainability.

Source: www.ifc.org/en/what-we-do/products-and-services/ifc-project-cycle

Investment Cycle

At the level of individual investments, IFC selects, appraises, supervises and closes investments according to a 12-step investment cycle. These 12 steps help guide the preparation of investments prior to approval by the Board, helping to ensure that investments are aligned to IFC's strategic goals, identify and mitigate relevant risks (e.g., credit risk, reputational risks, ESG), assess key considerations such as additionality and development impact and negotiate the terms of IFC's participation. The stages of the investment cycle are outlined in Figure 4.

IFC has special procedures for specific types of operations, such as delegated procedures for very small projects implemented as part of larger framework programmes. It also introduced streamlined procedures for the implementation of the Fast-Track COVID-19 facility and expedited procedures for existing clients.

More stringent procedures are applied for projects that involve some level of concessionality, such as those involving blended finance and projects benefitting from the IDA-Private Sector Window (PSW – see Operationalizing the IDA-18 PSW). For blended finance projects, IFC requires – in line with the Principles established for such projects among the Development Finance Institution (DFI) working group – that they: (i) provide a rationale for blended concessional finance (ii) aim to crowd-in additional investment; (iii) provide the minimum level of concessionality necessary; (iv) ensure commercial viability and reinforce markets rather than displacing them; and (v) promote high standards.

Financial Products and Advisory Services

IFC offers several financial products as part of its Investment Services (IS), including loans, equity investments, trade and commodity finance, syndications, risk management and structured solutions, and blended concessional finance co-investments. They also mobilise capital through the AMC, managing several funds covering equity, debt and fund-of-fund products on behalf of a wide array of institutional investors.

In addition to financial products, IFC provides advisory services (AS) to its clients, including companies, financial institutions, industries, and governments. IFC's private sector advisory programs entail helping companies attract private investors and partners, enter new markets, strengthen their capacity, and increase their impact. As part of their AS, IFC also provides market insights and operational advisory services.

IFC also engages the private sector on an industry level, working to establish best practices and standards with the aim of increasing competitiveness and productivity. IFC works with governments to structure public-private partnerships (PPPs), develop financial sectors, improve business environments, and develop infrastructure services. Increasingly during the review period IFC has provided "upstream" advisory services that are aimed at helping to establish the conditions in a country that lead to private investment. The upstream pipeline and conversion to committed investments has grown throughout the assessment period.

Scale of Operations

Together with mobilisation from other investors, IFC committed USD 23.2 billion in 312 long-term finance (LTF) projects in FY22. Table 3 shows IFC's own-account commitments and disbursements from FY17 to FY22. In addition, IFC extended USD 8.2 billion in short-term finance (STF) in FY22. "Core mobilisation" (*non-IFC financing or risk sharing arranged on commercial terms due to the active and direct involvement of IFC for the benefit of a client*) peaked at USD 11.7 billion in FY19 and has ranged between USD 10.2-10.8 billion. STF commitments have increased strongly during the COVID-19 pandemic to USD 9.7 billion in FY22. Disbursements declined in FY20 but have increased strongly since then to USD 13.2 billion in FY22. Following a big increase in FY19 (to USD 44.5 billion), IFC's disbursed investment portfolio has remained relatively flat in light of the pandemic and other global pressures, increasing to USD 45.1 billion in FY22.

In FY22, IFC's advisory portfolio totalled USD 1.4 billion (FY21: USD 1.4 billion), encompassing just over 800 advisory projects in more than 100 countries.

TABLE 3. **IFC COMMITMENTS AND DISBURSEMENTS BY FISCAL YEAR (USD MILLION)**

	FY17	FY18	FY19	FY20	FY21	FY22
IFC own-account commitments (LTF)	11 117	11 854	11 630	8 920	11 135	12 474
Core Mobilisation	7 739	7 462	11 671	10 206	10 826	10 831
IFC own-account commitments (STF)	–	6 491	7 398	5 764	6 469	8 195
Disbursements	9 952	10 354	11 150	9 074	10 518	11 438
Disbursed investment portfolio	**37 554**	**40 015**	**41 738**	**44 535**	**44 309**	**44 769**

Source: IFC Annual Reports – Financials FY 2017–2022

Geographic Scope of Operations

In FY22, IFC regions of operation were updated as illustrated in Table 4, below.

TABLE 4. **IFC REGIONAL GROUPINGS**

Region	Countries
East Asia and the Pacific (EAP)	Cambodia, China, Fiji, Indonesia, Japan, Korea, Lao PDR, Mongolia, Myanmar, Papua New Guinea, Philippines, Singapore, Solomon Islands, Thailand, Timor-Leste, Vietnam
Europe	Albania, Armenia, Azerbaijan, Belarus, Bosnia Herzegovina, Bulgaria, Croatia, Georgia, Kosovo, Moldova, Montenegro, Northern Macedonia, Poland, Romania, Russia, Serbia, Ukraine
Middle East, Central Asia, Türkiye, Afghanistan and Pakistan (MCAT)	Afghanistan, Bahrain, Iraq, Jordan, Kazakhstan, Kyrgyz Republic, Lebanon, Oman, Pakistan, Saudi Arabia, Tajikistan, Türkiye, Turkmenistan, United Arab Emirates, Uzbekistan, West Bank and Gaza, Yemen
Latin America and the Caribbean (LAC)	Argentina, Brazil, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru
South Asia	Bangladesh, Bhutan, India, Maldives, Nepal and Sri Lanka
Africa	Algeria, Angola, Benin, Burkina Faso, Burundi, CAR, Cameroon, Cote D'Ivoire, Chad, DRC, Egypt, Ethiopia, Ghana, Guinea, Kenya, Liberia, Madagascar, Morocco, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Tunisia, Zambia
Western Europe	IFC's operations in Western Europe covers 27 countries and the European Union. Operations in this region involve working with European companies to expand their operations to start new ventures in emerging markets by providing advice and/or mainstream and innovative financial services.

Source: IFC – Where We Work

In FY22, Latin America and the Caribbean (LAC), East Asia and the Pacific (EAP) and Africa represented IFC's largest long-term investment commitments and total portfolio exposure. IFC's five largest country exposures in FY22 were, in order, India, Brazil, China, Türkiye and South Africa. Table 5 displays IFC's long-term commitments in FY22 by region. Table 6 presents total advisory services programme expenditure by region.

TABLE 5. **IFC FY22 LONG-TERM COMMITMENTS BY REGION**

Region	Total (USD million)	% of Total Commitments
Latin America and the Caribbean	3 164	25.17%
East Asia and the Pacific	2 965	23.59%
Africa	2 643	21.02%
South Asia	1 605	12.77%
Central Asia + Türkiye	1 024	8.15%
Europe	906	7.20%
Middle East	254	2.02%
Global	8	0.07%

Source: IFC Annual Report 2022

TABLE 6. **ADVISORY SERVICES PROGRAMME EXPENDITURES BY REGION**

Region	Total (USD million)	% of Total Commitments
Africa	98.7	39%
Global	31.2	12%
East Asia and the Pacific	28.9	12%
Latin America and the Caribbean	26.1	10%
South Asia	20.0	8%
Europe	19.9	8%
Middle East	14.9	6%
Central Europe + Türkiye	10.9	4%

Source: IFC Annual Report 2022

Sectors of Operation

IFC's investment commitments and advisory programs extend to every major development sector, covering Financial Markets, Infrastructure, Funds, Agribusiness and Forestry, Health and Education, Manufacturing, Tourism, Retail and Property, Natural Resources, and Telecommunication and Information Technology. Long-term Commitments by Sector are presented in Table 7.

Development Impact

The development impact of IFC's operations ex-ante plays an important role in investment selection and the management of strategic risk, ensuring that IFC's operations are aligned to its strategic vision. IFC uses the AIMM system to identify the anticipated development impact of investment and advisory projects ex ante. The AIMM system evaluates a project's potential development impact in terms of project outcomes and market outcomes. These considerations are weighed against the likelihood that outcomes will be achieved and the scale of the potential market impact (considering the existing market gap) to generate an AIMM score.

TABLE 7. **IFC FY22 LONG-TERM COMMITMENTS BY SECTOR**

Sector	Total (USD million)	% of Total Commitments
Financial Markets	6 189	49.2%
Infrastructure	1 596	12.7%
Manufacturing	1 093	8.7%
Health & Education	809	6.4%
Funds	765	6.1%
Agribusiness & Forestry	706	5.6%
Telecommunications & Information Technology	656	5.2%
Tourism, Retail & Property	655	5.2%
Natural Resources	100	0.8%

Source: IFC Annual Report 2022

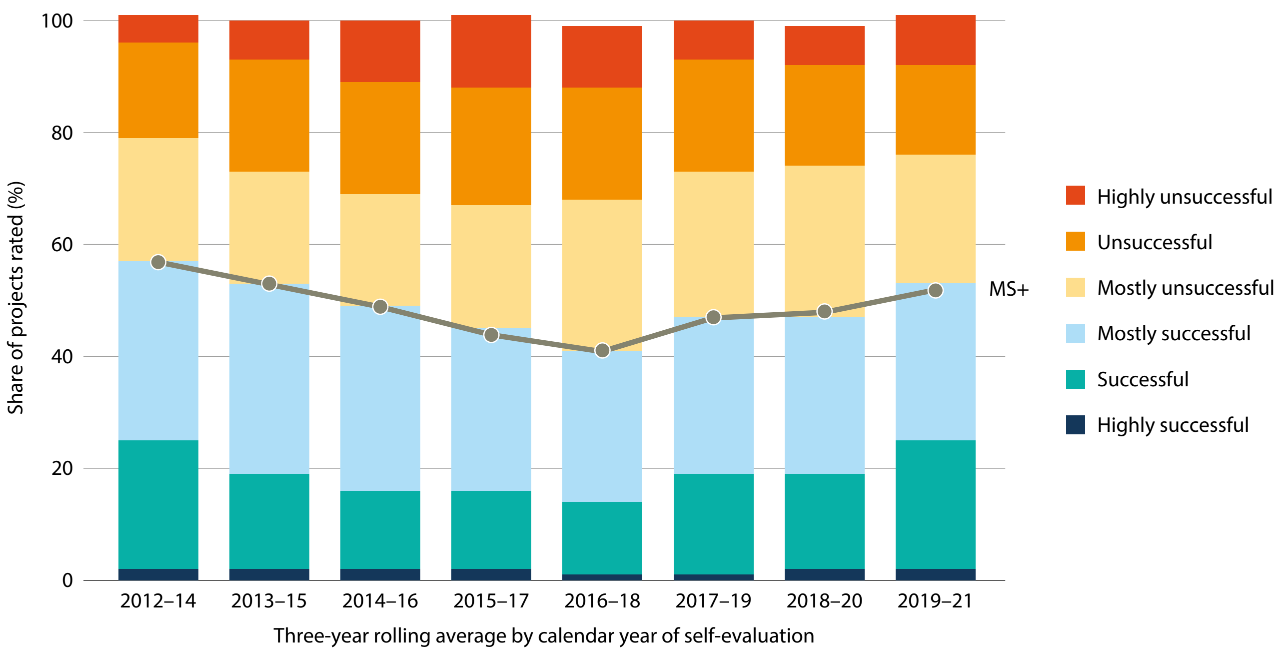
The AIMM tool also enables IFC to better define, measure, and monitor the development impact of each project. IFC rates all investment and a subset of advisory projects for development impact using the AIMM framework, which then allows development impact considerations to be weighed against a range of strategic considerations in the selection of investments.

IFC monitors its portfolio of active and mature investment projects. Teams collect self-reported data from clients and economists use this data to assess and update AIMM project scores. Updated portfolio AIMM scores and results for selected corporate reporting indicators go through internal and external quality assurance processes before they are aggregated for IFC corporate reporting. The incorporation of AIMM into portfolio monitoring has been a key development toward creating a "feedback loop" for monitoring of development impact across the portfolio. Impact experts 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 new projects.

In addition to internal impact management and reporting through AIMM, the Independent Evaluation Group (IEG) provides an annual measure of IFC's development results for completed projects and an indication of the proportion of IS and AS projects that achieve their development outcomes (for IS) or development effectiveness (for AS). The proportion of projects that received a positive rating for both investments and AS has been on an upward trajectory throughout the assessment period (Figure 5 and Figure 6). It is important to note that there is a considerable time lag between project design and ex-post evaluation and reporting.

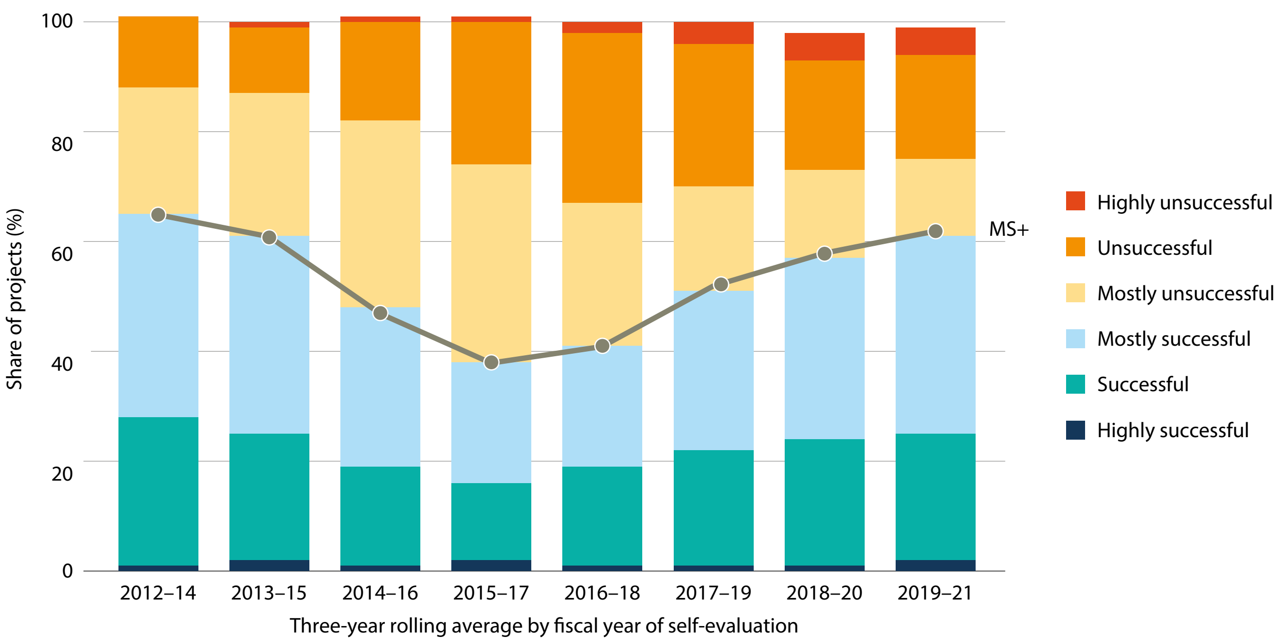
Throughout the assessment period, IFC has increased its resources for strategic focus areas while simultaneously pursuing efficiency gains throughout its operations. IFC's annual budgets have generally increased throughout the assessment period to implement IFC 3.0, in line with discussions with the Executive Board. The evolution of IFC's annual administrative budget and expenses is presented in Table 8 (note that FY19 Salaries and Benefits include workforce planning related to one-time severance costs, i.e., significant costs for changing the skills mix). This increased budget reflects in expected future change increased to increases in business volumes, particularly through investment in upstream activities in line with IFC 3.0. Over the review period, IFC's administrative budget has increased on average by 3.8% per annum between FY17 and FY23 while its administrative budget expenditure has increased at 3.9% per annum between FY16 and FY22 due to historical underspend of its budget authority. This increase has been faster than the growth of the disbursed portfolio over the course of the assessment period.

FIGURE 5: **IFC IS PROJECT DEVELOPMENT OUTCOME RATING (Three-year rolling average)**



Source: IEG, Results and Performance of the World Bank Group 2022, 2022

FIGURE 6: **IFC AS PROJECT DEVELOPMENT EFFECTIVENESS RATING (Three-year rolling averages)**



Source: IFC Budget Source

TABLE 8. **IFC'S HISTORICAL ADMINISTRATIVE EXPENSES AND BUDGET BY COST CATEGORY (USD MILLION)**

	FY18	FY19	FY20	FY21	FY22	FY23
Admin Budget Authority	**1 035.7**	**1 066.7**	**1 111.5**	**1 139.3**	**1 176.9**	**1 254.6**
Fixed Expenses	**790.0**	**867.0**	**841.1**	**888.0**	**937.6**	**989.0**
Salaries and Benefits	672.4	742.1	710.0	763.7	789.9	850.3
Communications & IT	16.9	17.7	23.5	20.4	28.9	25.1
Depreciation	57.8	65.6	62.0	59.9	71.0	56.5
Equipment & Building	42.8	41.6	45.6	45.6	47.8	57.1
Variable Expenses	**211.3**	**234.8**	**244.0**	**215.3**	**244.3**	**287.1**
ST Consultants & Temporaries	13.0	12.3	15.1	12.6	19.3	20.0
ET Consultants & Temporaries	–	1.0	4.4	7.6	11.4	14.5
Travel, Representation and Hospitality	38.5	32.0	21.9	4.1	11.3	30.9
Contractual Services	36.5	45.8	46.8	34.2	34.9	49.5
Services and Support Fees	108.2	127.7	139.2	141.5	153.0	158.7
Other Expenses	15.1	16.0	16.6	15.2	14.4	13.5
Total Expenses	**1 001.3**	**1 101.8**	**1 085.1**	**1 103.3**	**1181.9**	**1276.1**
Total Non-Operational Revenue	(15.7)	(17.4)	(21.6)	(21.8)	(24.4)	(25.1)
Net Expenses	**985.6**	**1 084.4**	**1 063.5**	**1 081.5**	**1157.5**	**1251.0**

Source: IFC FY21 Budget and IFC FY23 Budget; All data are actual values.

Starting in FY21, IFC started to use a targeted country-driven budget allocation to link IFC country strategies with the upstream pipeline and resource allocation, representing a fundamental shift in how IFC's budgeting process. Some of IFC's operational program budget is now allocated at the country level, giving Country Managers control over a sizeable portion of IFC resources, intended to provide a greater focus on country needs and priorities and opportunities for upstream work.

IFC projected a 1.3% real increase in its administrative budget from FY22 to FY23. IFC identified the following factors as the main cost pressures during this period, with staffing as the main driver:

(i) Staffing, arising from the implementation of the FY19 workforce planning exercise, which evolved into a structured annual workforce plan update;

(ii) Upstream costs, which will be driven by (a) staffing and (b) non-staff program delivery expenses;

(iii) Shared Services Agreements, which are underpinned by the workforce ratio of IFC relative to the rest of the WBG. As the ratio increases through additional hiring by IFC, so do the costs;

(iv) Global footprint, arising from an increased presence in IDA and Fragile and Conflict-affected Situations (FCS) countries;

TABLE 9. **IFC ADVISORY SERVICES BUDGET BY SOURCES OF FUNDS, FY19-FY22**

	FY18A		FY19A		FY20A		FY21A		FY22B		FY23A	
	USD million	%	USD million	%	USD million	%	USD million	%	USD million	%	USD million	%
Development Partners and Clients	250.4	59%	270.4	57%	290	59%	295	55%	285	57%	224.6	59%
Development Partners	220.4	52%	240.4	51%	260	53%	260	49%	240	48%	192.9	51%
Client Contributions	30.0	7%	30	6%	30	6%	35	7%	45	9%	31.7	8%
IFC All Sources	177.2	41%	204.3	43%	204.7	41%	238.8	45%	218.8	43%	154.8	41%
AS Admin Budget	66.2	15%	73.3	15%	73.3	15%	74.3	14%	74.3	15%	62.6	16%
CMAW	50.0	12%	70	15%	70	14%	90	17%	80	16%	46.0	12%
FMTAAS	45.0	11%	45	9%	45	9%	60	11%	50	10%	36.1	10%
Other IFC Sources	16.0	4%	16	3%	16.5	3%	14.5	3%	14.5	3%	10.5	3%
Total Advisory Services Budget	427.6	100%	474.7	100%	494.7	100%	533.8	100%	503.8	100%	379.4	100%

Source: IFC FY20 Budget, IFC FY21 Budget, IFC FY22 Budget, IFC FY23 Budget; "A" indicates actual values, whereas "B" indicates budgeted values.

(v) LIBOR transition, which will affect many IFC units, with the most impact being felt by Treasury and Syndications, Legal, Investment Operations, Controllers and Information Technology;

(vi) Enterprise Resource Planning (ERP) implementation, which will have some level of cost impact for IFC. Various options are still being reviewed by the WBG to determine the magnitude; and

(vii) other incremental non-staff needs arising from COVID-19 and portfolio risk mitigation measures and restructurings.

IFC's AS budgets are funded through a combination of internal funding sources and contributions from development partners and clients. To promote long-term financial sustainability, IFC is also continuing to diversify its sources of donor funding by attracting foundations, philanthropic, and other non-traditional partners such as the Mastercard Foundation and the Bill and Melinda Gates Foundation. Efforts are ongoing to manage and enhance existing Development Partner relationships, with a transition to a more disciplined and strategic approach to partner outreach. IFC's Advisory Services budget has increased steadily over the assessment period due in part to increased contributions from development partners and clients (Table 9).

SITUATIONAL ANALYSIS

During the time of the assessment, IFC faced profound changes to the external context, including the COVID-19 pandemic and subsequent macro-economic effects, the invasion of Ukraine, and a food supply crisis. These crises continue to batter developing countries, especially impacting the poor and vulnerable and worsening global inequality. High inflation, war in Ukraine, large macroeconomic imbalances, and shortages of energy, fertiliser, and food have caused the sharpest global economic downturn in 80 years, compounding the death tolls, economic shutdowns, and school closures of the COVID-19 pandemic (IFC 2022a). As a result, low- and middle-income countries are facing surging prices for natural gas and fertiliser and the worst food crisis in a decade, as they work to achieve progress on long-term development needs – including clean water, electricity access, reading skills, quality infrastructure, and climate-related investments (IFC, 2022a). This has also led to a refocusing of IFC's operations in the short-term on pressing priorities and relatively more short-term finance to address them.

COVID-19

COVID-19 had a profound, systemic effect on IFC, including its internal and external context, addressed further in Chapters 2 and 3.

The implementation of IFC 3.0 has occurred in the midst of the COVID-19 pandemic, which resulted in widespread health and socioeconomic impacts across developing countries. The economic impacts of COVID-19 have been an important threat to the progress achieved by the multilateral system in promoting shared prosperity and inclusive growth, with the private sector providing an estimated 90% of employment in developing countries. IFC has played a critical role in mitigating the economic impact of the crisis, keeping critical businesses in operation to provide a foundation for recovery and mitigate loss of jobs and income among vulnerable populations.

On 17 March 2020, IFC committed USD 6 billion as part of the WBG's Fast Track COVID-19 Facility (FTCF), subsequently increasing its commitment to USD 8 (WBG (2020)). This commitment included:

- USD 2 billion in support provided through the **Real Sector Crisis Response Envelope** for existing clients in the infrastructure, agriculture and services industries to relieve liquidity pressure, diversify supply sources and mitigate operational risk by obtaining working capital; and

- USD 6 billion in support provided through the **Financial Institutions Group Envelope (FIGE)** providing support to Micro, Small and Medium Sized Enterprises (MSMEs) and enabling financial institutions' clients in IDA/FCS countries and emerging markets to access trade finance, working capital and risk mitigation solutions.

The FIGE brought together four programmes: (i) the Global Trade Finance Programme; (ii) the Working Capital Solutions Programme; (iii) the Global Trade Liquidity Programme; and (iv) the Critical Commodities Finance Programme. Together, these initiatives sought to support critical industries in remaining operational, keep trade flowing, help clients pay their bills and shore up local banks, thereby mitigating the potential economic impacts of the pandemic, particularly in IDA and FCS countries. The FTCF was extended in February 2021 and March 2022 and expanded to include a USD 600 million Base of the Pyramid (BOP) programme to support financial services providers reaching the hardest-hit segments such as MSMEs and women-owned businesses (WBG, 2020; WBG, 2021a). As of March 2022, IFC has provided a total of USD 19.1 billion in support to private sector clients to mitigate the impact of COVID-19 including USD 14.5 billion of own account lending and mobilisation of an additional USD 4.6 billion, with 48% allocated to IDA and FCS countries in line with IFC's Capital Package Commitments.

The IDA-PSW has played an important role in supporting several programs under the FTCF, including the implementation of the Global Trade Finance Programme and the Working Capital Solutions Programme. As of February 2021, 48% of IFC's own-account financing under the FTCF was in IDA and FCS markets. The IDA20 Replenishment reaffirmed the role of the PSW in the COVID-19 response in promoting cross-cutting policy priorities of the replenishment, including an explicit policy focus on increasing manufacturing capacity for health care products such as vaccines, medications, pharmaceutical inputs and Personal Protective Equipment (PPE).

The need to rapidly respond to the COVID-19 crisis has had important implications for IFC's management processes. Contributions from the 2018 Capital Package placed IFC in a better position to launch a rapid response (WBG, 2020; IFC, 2021e). In implementing these initiatives, IFC and the rest of the WBG had to adapt internal processes to promote agility while ensuring appropriate accountability and transparency in line with its fiduciary requirements, including a streamlined approval process and shortened review period for COVID-19 operations. The response also required scaled-up effort on the part of global and regional teams to build a pipeline, determine eligibility and help move projects through the FTCF approval process (IFC, 2021e). In FY21, the median mandate to first disbursement was 139 days for FTCF projects, and 313 days for non-FTCF (IEG, 2023).

Other innovations in processing include streamlined "Early Look" for existing clients in good standing, leveraging existing portfolio and related project documents to accelerate go/no-go decisions, virtual appraisals for low-risk projects, and reliance on innovative mobile technologies and local consulting expertise to assess environmental and social (E&S) risks where possible (IFC, 2022f).

Invasion of Ukraine and the Food Supply Crisis

The war in Ukraine made the global economic recovery from COVID-19 even more uncertain. As Russia and Ukraine are among the top global producers and exporters of wheat, corn, barley, sunflower seeds, and sunflower oil in addition to other commodities, the war and subsequent disruptions to these supply chains have caused prices to surge, impacting global trade and welfare.

In Ukraine, the war has led to lives, homes, and livelihoods being lost, millions of refugees, and infrastructure destroyed. The costs of reconstruction are already in the hundreds of billions of USD. As of August 2022, the WBG had mobilised and facilitated the transfer of USD 13 billion in emergency financing, with more than USD 9 billion already disbursed to help Ukraine finance critical government services and lessen the human and economic impacts. This includes a USD 1.5 billion WB package, including USD 1 billion in exceptional support from IDA, to help pay wages for government and school employees. The WBG support also extends to countries that are hosting Ukrainian refugees.

IFC has provided working-capital financing to its clients in Ukraine, enabling continued access to food, fuel, and medicine, as well as keeping its trade lines open to support the import of critical supplies (IFC 2022a). IFC launched two new financing platforms to continue to address these crises, especially for other countries in the Europe and Central Asia region that may be experiencing spill over effects and developing countries dramatically impacted by the spike in food prices.

The first platform – the **Economic Resilience Action Program** – supports projects in Ukraine, leveraging blended finance and prioritising "investments to support the resilience of businesses, displaced people, and affected municipalities and address immediate logistics and energy needs" (IFC 2022a). The USD 2 billion package provides financing both direct to new and existing clients in the real sector and through financial intermediaries to on lend and through trade finance guarantees. In conjunction, IFC has refocused its advisory program to support clients in adapting operations to war conditions and preparing for reconstruction. The second platform – the **Global Food Security Platform** – facilitates "the trade of food commodities and the supplying 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". The USD 6 billion financing facility supplements the World Bank's commitment of USD 30 billion in response to the crisis.

World Bank Group Evolution

At the 2022 Annual Meetings, discussions around the "Evolution Roadmap" started, centred around a proposal for how to better position the WBG to address global and transboundary issues. Building upon the 2016 Forward Look, the proposal called for an update of the WBG's vision, incentive structure, operational approach and financing capacity to enable each entity to tackle global challenges as a core strategic priority alongside country-driven work rooted in poverty reduction and shared prosperity.

Following a period of internal and external consultations, the World Bank Group presented its new mission and vision to its Board of Governors in October 2023. It emphasises the importance of building upon the "One Bank Group" approach and collaboration with other DFIs and the private sector to enhance private investment in developing countries (WBG, 2023). Specific initiatives identified include:

- A World Bank Group "Private Sector Investment Lab" to better leverage private sector expertise and explore and scale innovative approaches to enhancing private investment in developing countries, including through new partnerships;
- CPSDs 2.0, which will identify concrete policy interventions and reforms and provide a basis for policy dialogue with governments to promote private capital mobilisation;
- Global Challenge Programmes to support countries in scaling up development results and responses to global challenges, including support for IFC's upstream and advisory work to support private capital mobilisation and investments that address global challenges;
- A Warehouse-Enabled Securitisation Platform (WESP) and public accessibility to statistics from the Global Emerging Markets (GEMs) Risk Consortium to help reduce investment risk perceptions in emerging markets and developing economies; and
- A potential replenishable IFC-MIGA multi-donor fund to increase the availability and predictability of concessional finance for private sector projects.

These proposals will be further elaborated and implemented over the coming years. They build upon the progress IFC has already made in implementing IFC 3.0 and re-positioning the organisation to support market creation in challenging contexts upstream.

PREVIOUS MOPAN ASSESSMENTS

IFC was selected by MOPAN's membership to be assessed as part of the 2021-22 Assessment Cycle. This is the first MOPAN assessment of the International Finance Corporation (IFC). This is also the first time the full MOPAN assessment methodology is being applied to a private-sector-oriented multilateral organisation (MO), which required significant changes to the MOPAN framework.

Private-sector-oriented MOs are different from United Nations entities and other Multilateral Development Banks because: (i) they work primarily with private sector clients; and (ii) their own sustainability depends largely on investing in profitable projects, as well as crowding in investment from other private sources. The MOPAN Secretariat led the adjustment to the framework in consultation with the Institutional Leads, IFC and the European Bank for Reconstruction and Development (EBRD) and the team implementing this assessment.

This assessment was closely co-ordinated with the 2023 MOPAN assessment of the World Bank as many of the issues covered are affected by collaboration within the WBG and have implications for the whole WBG.

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OVERVIEW OF KEY FINDINGS

ASSESSMENT SUMMARY

Context

Greater participation of the private sector in development is essential to meet the Sustainable Development Goals (SDGs). There has been an increasing realisation that achieving the World Bank Group (WBG)'s twin goals – eradicating extreme poverty and boosting shared prosperity – will necessitate private sector participation on an unprecedented scale. This was clearly articulated in the call to move "From billions to trillions" by the WBG's Development Committee (WBG 2015). The "Hamburg Principles" and "Maximising Finance for Development" were introduced, (WBG 2017), which focus on ambitious goals of crowding-in the private sector to help address the most pressing development challenges. In September 2023, the WBG identified a new mission to "end extreme poverty and boost shared prosperity on a livable planet." (WBG, 2023).

The WBG, including IFC, plays a key role in this effort and underwent significant changes to position itself for implementation. The "Forward Look" (WBG 2016b) introduced the Cascade approach, guiding the WBG's efforts to leverage the private sector and giving priority to private sector solutions, reserving scarce public money for areas where private sector solutions are not optimal or available. At the same time, the approach is meant to help strengthen the enabling environment and institutions in countries of operation, and lower risks (e.g., through blended finance solutions or risk insurance) to attract private sector financing for development solutions.

In delivering on the Forward Look, IFC has reframed its institutional vision under IFC 3.0. Recognising that, the lack of "bankable projects" is a key constraint for investment, in addition to financing constraints, IFC 3.0 was established as a new institutional vision focused on market creation with emphasis on Low Income Countries (LIC) and fragile and conflict-affected situations (FCS). As part of IFC 3.0, a new "upstream" advisory workstream was developed to complement IFC's traditional business alongside an enhanced focus on mobilisation. Implementing IFC 3.0 has necessitated an ongoing evolution of IFC's structure and business processes and has had significant resource implications. This included the hiring of an additional 269 staff to support upstream work and 15 new directors to lead regional industry departments (IFC 2019b).

The Forward Look was accompanied by policy commitments introduced as part of the 2018 Capital Increase Package (CIP) (WBG 2018). This included a capital increase of USD 7.5 billion for the World Bank (IBRD) and USD 5.5 billion for IFC, and the introduction of the USD 2.5 billion IDA-Private Sector Window (PSW, WBG 2017c) to mobilise private sector investment in IDA countries, with a focus on FCS. Commitments linked to the CIP focused on scaling up: (i) mobilisation through sector reform and risk mitigation to facilitate market solutions; (ii) IFC's investments in IDA, Low-Income and FCS countries; (iii) climate investments; (iv) support for women and women-led Small and Medium Enterprises (SMEs), including through financial intermediaries; and (v) identifying projects with strong potential to contribute to market creation. The CIP also included several measures to improve the effectiveness of operations (e.g., cost savings, including in areas such as reducing workforce costs and administrative simplification).

As the COVID-19 pandemic hit, IFC quickly established a large support package, focusing on short-term finance (STF) for existing clients and private sector health solutions. Benefitting in part from the significant resources from the capital increase, IFC established an USD 8 billion pandemic response package with four envelopes of USD 2 billion each addressing key constraints and impacts, including support for: (i) the real sector, (ii) working capital solutions, (iii) global trade finance and (iv) global trade liquidity and critical commodities (IFC 2020). This Fast-Track COVID-19 Facility (FTCF) was subsequently complemented by a USD 4 billion Global Health Platform, funding critical medical equipment and services, such as testing kits and vaccines (IFC 2021). The COVID-19 pandemic held important implications for the CIP commitment to scale up projects with strong market creation potential due to an explicit decision to focus on market preservation.

Through COVID-19 and other crises, IFC's strategy has remained focused on the CIP commitments and its IFC 3.0 strategy. COVID-19 and the war in Ukraine disrupted supply chains and triggering a global food crisis. This has occurred alongside ongoing climate change and increased risks of extreme weather events. Overall, the global environment has become more difficult and development challenges even more complex. Within that context, IFC's strategy has remained broadly focused on the same cross-cutting priorities, while recognising a need to "step up in times of uncertainty" (IFC 2022).

This MOPAN Assessment reflects how IFC has evolved over the last six years and has positioned itself to deliver on its comparative advantage and IFC 3.0. Furthermore, it reflects IFC's unique positioning among IFIs on account of its global reach, broad operational expertise, global convening power, financial strength, and ability to provide development solutions that yield synergies between the public and private sectors. In identifying drivers of performance as well as gaps and challenges, the assessment identifies opportunities for IFC to further strengthen its approach to implement its forward-looking evolution. The sections below detail key findings of the assessment, note implications for challenges IFC faces in responding to the current context and identify IFC's opportunities to adapt moving forward.

The main strengths and areas for attention emerging from this assessment are summarised in Box 4.

Findings of the Assessment

As the premier development institution working with the private sector, IFC has a clear comparative advantage to address many global development challenges through private sector solutions. As part of the WBG, IFC has the ability to address global issues, both on the policy front (through the World Bank and its upstream and advisory services) and then following through with private sector investments. IFC has a clear strategic vision and a robust strategy process, that has increasingly focused on addressing market failures.

Starting with the Forward Look and "IFC 3.0" in 2016 and reinforced by the 2018 CIP, IFC has embarked on an ambitious reform programme. The main changes have been an increased focus on "market-creation" efforts implemented in collaboration with the WB to focus on creating conditions that are conducive to private sector investment and increasing mobilisation. Furthermore, the Cascade approach aims to give priority to private investment where this is possible. In implementing IFC 3.0 and its upstream work, IFC has sought to promote investment in the most challenging markets, including IDA, LIC and FCS. As part of its CIP commitments, IFC has sought to scale up support for cross-cutting issues, such as climate change and gender. Additionally, IFC is on track to align 85% of new commitments with the Paris agreement by FY23 and 100% by FY25.

These changes in strategic focus were accompanied by structural changes to operationalise IFC 3.0. These included the establishment of: (i) the Economics and Private Sector Development Vice-Presidency to support and measure market creation efforts; (ii) an "Upstream" Department to help develop bankable projects; and (iii) a new Blended Finance Department. The Blended Finance Department has been particularly instrumental to administer the IDA-Private Sector Window (PSW) and the Creating Markets Advisory Window, which have played a key role in scaling up blended finance in the most challenging markets. The ESG risk function was separated from the operational department, to strengthen oversight as well as IFC's stakeholder grievance response systems.

IFC's enhanced focus on market creation has been clearly reflected in its results measurement and incentive structures, supported by new analytical products and tools. Country Private Sector Diagnostics (CPSDs), introduced in FY18, provide the analytical foundations to identify these opportunities and feed into the WBG's Systematic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs), as well as IFC's own country strategies (CS). IFC's Anticipated Impact Measurement and Monitoring (AIMM) system helps identify and measure potential development impacts and provides clear incentives to focus on "market creation" effects in new investments.

Box 4. Main strengths and areas for attention in the MOPAN 2022 assessment

Main Strengths

- Good progress has been achieved in aligning IFC's organisational structure, resources and operations to IFC 3.0 with a focus on market creation and resource mobilisation.
- IFC has a strong capital position and a sound framework for ensuring financial sustainability.
- Strong systems are in place for risk management and accountability across the investment cycle.
- IFC has implemented effective tools to enhance the development and market outcomes of its investments and support decision-making and accountability, including AIMM.
- IFC has played a leadership role in supporting global issues, including ongoing coordination with DFIs and other partners and its leadership role in several areas. For example, IFC has led the establishment of principles guiding the use of blended concessional finance.
- IFC has a consistent track record of using data to make decisions and change course to enhance performance. This includes extensive corporate reporting and dashboards, external and internal reviews and joint IFC-IEG reports.

Areas for Attention

- There remain opportunities to strengthen the "One Bank" approach across the World Bank Group with respect to the Cascade approach and creation of an enabling policy environment for investment.
- There are opportunities to further capitalise on IFC's efforts to enhance knowledge management in line with IFC 3.0 through the finalisation of a knowledge management strategy with a stronger governance framework.
- Although IFC has taken positive steps toward reinforcing additionality across its investments, there continues to be no system for monitoring of the realisation of anticipated non-financial additionality throughout the investment lifecycle, which is often delivered through AS.
- There are opportunities to update IFC's Performance Standards to better reflect emerging challenges such as SEAH and strengthen IFC's accountability, particularly with respect to the implementation and monitoring of client grievance mechanisms.
- The performance of IFC's investments in FCS with respect to development outcome achievement has declined over the course of the assessment period, warranting an examination of the underlying drivers.
- IFC's RBM approach could be further enhanced through expanded public reporting and a stronger emphasis on outcomes, particularly for cross-cutting themes.

The AIMM score is used to inform decision-making around project selection and design. Average AIMM scores as well as a specific indicator for "strong market creation" are included in IFC's corporate scorecard. IFC's Country Strategies identify IFC's value addition in their countries of operation to address development gaps and legal and regulatory barriers to investment through upstream work. Country Strategies are reviewed and adjusted every six months to take stock of progress and adjust to changes in context.

The IDA-Private Sector Window (PSW) and the Creating Markets Advisory Window (CMAW) support market creation in challenging contexts and have contributed to IFC's leadership in delivering blended concessional finance. The PSW is a critical instrument for the implementation of IFC 3.0, providing concessional finance on a much larger scale to open markets in IDA and FCS countries. After a somewhat slower than expected start-up, IFC has committed more than USD 2.6 billion of PSW funds since 2017 which have supported 128 IFC transactions across 33 fragile and low-income countries (source: IFC AR22). A large portion of this (37%) has gone to FCS countries. Through CMAW, IFC has also set aside a significant part of its own resources (USD 337 million from FY18 to FY22) to fund market creation activities. It has taken time to develop the appropriate systems and structures, but IFC now has robust processes and criteria to implement and report on blended finance. However, beyond addressing financial constraints the availability and identification of bankable projects in IDA and FCS countries remains an important challenge which IFC's upstream approach is working to address.

IFC has also made considerable progress in implementing its upstream function, growing an upstream pipeline which is now being converted to committed investments. New staff were brought on board to support pipeline development in challenging markets and have since been merged with broader advisory teams to support implementation of IFC's strategic vision. As of FY22, a 5-year upstream pipeline of USD 29.3 billion has been identified, of which 31% is in IDA FCS and 52% is climate-related. IFC has also demonstrated some initial results with respect to upstream pipeline conversion to committed projects. In FY23, upstream efforts led to the conversion of USD 4.4 billion in committed investments for IFC.

Across the WBG, the Cascade approach is not yet working as envisaged to support private sector-led development. The Cascade approach, introduced in FY17, was expected to give priority to private sector development solutions and to use public funds only where this was not possible. To date, the approach has not been implemented as designed, in part because WBG staff have had insufficient incentives to do so. Although there was engagement and training provided across the WBG to support the Cascade approach, no means were identified to monitor implementation. IFC's stakeholders note challenges in implementing in such collaboration when the approach is not applied consistently in operations by the WB at the outset.

There have been challenges in targeting operations with strong market creation potential as intended. Throughout the assessment period, IFC has fallen short of corporate targets for identifying new projects with "very strong" market creation potential. COVID-19 played an important role in that, during the pandemic, IFC specifically targeted its efforts on market preservation rather than creation. Following the pandemic, the trajectory has been positive, with this indicator rising from 5% in FY21 to 11% for FY22, with a target of 18% set for the period of 2023-25. This issue merits ongoing follow-up as the implementation of IFC 3.0 continues to ensure this positive trajectory yields tangible results.

IFC has met several of its ambitious CIP commitments for cross-cutting issues such as climate, gender and investment in IDA and FCS countries. Several of these targets were achieved well ahead of their target years (WBG 2019). These goals included a commitment to increase the percentage of climate-focused investments to 35% by FY30 – which was already met in FY22. For gender, IFC set goals for increasing the share of women it nominates to WBG Board seats to 50% by FY30, which was achieved in FY21. It is also on track to achieve FY30 targets regarding investments targeting women and women-led SMEs (60% of FY30 targets were achieved by FY22) and FIs targeting women (over 90% achievement by FY22). Targets for FY22 were well exceeded. The proportion of gender-flagged IS projects increased during the assessment period from 6% in FY19 to 33% in FY23, whereas the proportion of gender-flagged AS projects increased from 32% in FY17 to 57% in FY22, reflecting a steady increase in the proportion of projects that reflect a clear contribution to addressing gender gaps.

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, IDA/FCS countries such as Botswana, Burundi, Cabo Verde, Gabon and Mauritania.

IFC's Corporate Scorecard is a key strategic management tool that has helped drive delivery of corporate priorities under IFC 3.0 and the CIP commitments. Changes to IFC's corporate scorecard sought to increase its fitness as a management tool to drive performance throughout the year. Internally, the IFC Dashboard and comprehensive quarterly reporting to IFC's Executive Board illustrate performance monitoring against scorecard targets throughout the year. A lot of information is available publicly through Strategy and Budget Outlooks (SBOs), Budget Papers and Financial Statements, with development outcomes and "reach targets" by industry and region are presented in IFC's Annual Reports. However, public reporting has been less consistent for some indicators such as Mandate-to-Disbursement (M2D), which reflects the timeliness of investment decision-making. There is also room for greater transparency around how scorecard targets are adjusted year to year.

There is also additional scope to enhance how IFC reflects its contribution to outcomes for cross-cutting themes in its scorecard. IFC's development results reporting and corporate scorecard indicators have predominantly remained focused on inputs (investment volumes) and outputs (number of beneficiaries reached) rather than outcomes. These are accompanied by the reporting of "reach indicators" from IFC's investments, which include gender-disaggregated indicators. These indicators provide a broad indication of IFC's contribution to addressing outcome gaps, but do not reflect achievement of expected outcomes in operations. AIMM scores and IEG validations provide an indication that development results are being achieved but they do not reflect the aggregated results for specific sectors and cross-cutting themes. However, as the AIMM system matures, it is expected to position IFC to report on the extent to which operations contribute to outcomes for global themes due to its structured approach and ongoing follow-up of key indicators.

IFC has displayed leadership on many development issues, establishing good practices and promoting harmonised approaches across other DFIs. Prior to the review period, IFC revised its sustainability policy and developed the IFC Performance Standards, which – through the Equator Principles – have become the global standard used for commercial finance in emerging markets. Together with other DFIs, IFC has led the development of principles for the use of blended finance and additionality, harmonised indicators for development results and mobilisation. In particular, IFC has demonstrated leadership in the area of blended finance, leading the development of the DFI Principles for Blended Concessional Finance and pioneering methodologies for calculating levels of subsidy and disclosure of project-level subsidies.

The implementation of IFC 3.0 has had important implications for IFC's staffing. The most important shift in staffing over the period was the hiring of 275 staff by FY22 to support IFC's upstream efforts. In FY23, upstream staff were merged with global sector teams providing advisory services, together constituting about 360 staff. Other significant staffing changes included additional hiring to strengthen the economics, ESG and climate functions. Overall, staffing has increased significantly over the review period, from about 3 860 in FY17 to about 4 300 in FY22 (+11.4%). This followed administrative savings from exits linked to the workforce planning exercise of USD 53 million from FY18 to FY19. The use of extended-term temporaries (ETTs) and consultants (ETCs) and short-term temporaries and consultants (STTs and STCs) has increased considerably over the period. Such fast growth of the contingent workforce has led to the emergence of new risks, including inadequate knowledge transfer between consultants and staff (GIA 2022).

Changes made to implement IFC 3.0 have also had important implications for IFC's administrative budget. Most of IFC's administrative budget (approximately 65%) relates to staffing (IFC 2022c). According to budget papers, IFC's administrative budget has increased on average by 3.8% per annum between FY17-FY23 and both its total budget authority (including the special initiatives) and total administrative spending have each increased by 3.9%. These increases were anticipated in the implementation of IFC 3.0 and have been discussed with the WBG Board on an ongoing basis through annual SBOs, budget documents and quarterly reporting.

Budget growth has outstripped portfolio growth, as the outcomes of the upstream investments are yet to fully materialise. IFC's disbursed investment portfolio increased from USD 37.5 billion to USD 45.1 billion (+3.1% average annual growth) between FY16 and FY22, a slower rate than growth in overall administrative expenses. Additional challenges have come in the form of lower loan and fee income than anticipated, due in part but not entirely to the COVID-19 pandemic and IFC's focus on STF during this time. These factors have contributed an increase in IFC's Budget Coverage Ratio (BCR, administrative expenditures divided by loan and fee income) from 83% or below at the outset of the assessment period to 98% in FY21 before declining to 93% in FY22. The BCR target was subsequently updated to 95% or lower for FY22, whereas it was originally expected to remain at 85% or lower for FY21-23 (IFC, 2019c). The expectation is that eventually the upstream work will translate into increased investment and there was a 5-year pipeline of over USD 30 billion at the time of writing (IFC, 2023). Conversion of upstream projects to committed investments increased from USD 1.1 billion in FY20 to USD 4.4 billion in FY23.

The USD 5.5 billion CIP significantly strengthened IFC's capitalisation and cemented its AAA rating; however, continued growth in LTF commitments remains important to ensure IFC can deliver on its ambitious institutional vision (WBG 2019)**.** Rating agencies have lauded IFC's extremely strong financial risk profile, strong capital position, low leverage and best-in-class risk management. However, profitability – measured by the risk-adjusted return on capital (RAROC) and equity returns compared to a market benchmark (MSCI), have often been below IFC's internal targets throughout the period. Over the review period, IFC's own account LTF commitments increased more slowly from USD 11.1 billion in FY16 to USD 12.6 billion in FY22 (an average annual growth of 3.2%.). This has partly been due to a difficult macroeconomic environment in the wake of COVID-19 and other global crises. It is estimated that an increase of 9% p.a. in LTF commitments combined with higher returns would be needed to meet IFC's FY30 goals while preserving its capital adequacy. The trajectory has since been positive, with IFC's own account LTF Commitments increasing to USD 16.7 billion in FY23, an increase of 32.7% from FY22.

The CIP enabled IFC to launch an agile response to the pandemic in the form of a large Fast-Track COVID-19 Facility (FTCF) (IEG 2023b)**.** Within months of the outbreak of COVID-19, IFC approved an initial USD 8 billion FTCF consisting of trade, supply chain, liquidity and working capital finance (particularly for SMEs) through financial intermediaries (FIs) and direct support to existing real-sector clients. From April to December 2020 alone, IFC provided USD 4.5 billion in support through the FTCF. This was later supplemented by a second phase, including USD 0.6 billion for base-of-the pyramid support for low-income people and a Global Health Platform for USD 2 billion (plus USD 2 billion mobilisation), of which USD 1.1 billion of its own account and USD 0.6 billion of mobilization had been committed by end-FY22. As noted above, the FTCF's explicit focus on market preservation has impacted IFC's ability to target projects with strong market creation potential.

IFC has strong and independent internal control functions and processes that help ensure adherence to high standards. This includes many different functions, such as internal audit, independent evaluation, ethics and integrity. Increasingly, these functions are adopting a forward-looking approach based on identifying and addressing risks before they materialise and identifying insights. Existing supervision processes further ensure appropriate due diligence and compliance monitoring throughout the investment cycle and internal audit reports confirm that key internal control processes are implemented systematically. However, frequent staffing changes and reorganisations have sometimes made it more difficult to follow up on recommendations from internal control functions. A Special

Operations function plays a key role in addressing underperforming projects, recovering IFC's exposure and identifying relevant operational lessons.

Whereas clear standards are in place for management of Environmental and Social (ES) risks, stakeholder engagement and accountability, these could be strengthened to reflect IFC's leadership in emerging markets. IFC's Performance Standards, through the Equator Principles, are now the de facto ES standard for private investments. They require effective community engagement through disclosure of performance information and consultation with local communities commensurate with a project's risks and adverse impacts, these have not been updated since 2012. In the meantime, IFC has issued several voluntary guidance notes and implementation resources covering themes such as emerging markets and use of security forces; however, these are not mandatory by virtue of being guidelines rather than being reflected in the Performance Standards. There is room to strengthen implementation of good practices by incorporating them directly into the Performance Standards. Furthermore, opportunities remain to enhance the implementation and monitoring of client grievance mechanisms throughout IFC's operations.

Whereas IFC has launched several initiatives to promote the uptake of lessons and knowledge management across the organisation, this remains an area of opportunity. Following a critical internal audit report on IFC's Knowledge Management, several positive initiatives have been implemented, including the creation of a dedicated knowledge management team and efforts to enhance platforms and technology enablers to harvest, curate and disseminate IFC operational knowledge and lessons. Approval of a Knowledge Management Strategy, in line with recommendations from internal audit will be essential to enable stronger accountability for knowledge management among both management and staff. There are also opportunities to enhance the alignment of the AIMM System with IEG's validation of the Expanded Supervision Report (XPSR) to enhance uptake of lessons and feedback loops (WBG 2022d). In 2023, an IEG/IFC Working Group was established to this end, including representatives from portfolio, development impact and ESG teams to help enhance the usefulness and coherence of both tools.

IFC's decision-making processes should be further streamlined to reinforce implementation of IFC 3.0. Changes introduced to IFC's Accountability and Decision-making Matrix (ADM) in FY18 made with the intention of improving quality control may have resulted in longer timeframes for investment decision-making. IFC's M2D indicator has not met internal targets throughout the assessment period and IFC's internal staff surveys corroborate reported challenges with the timeliness of decision making. (WBG 2022f). Similarly, changes to IFC's E&S may have improved controls but led to concerns about inefficiencies and delays. IFC is already working on addressing this challenge, having adjusted its Accountability and Decision-making Matrix (ADM) again in 2023. This process drew upon lessons from the FTCF, which led to a reduction in median Mandate to Disbursement to 139 days for operations approved under the facility. This issue merits ongoing attention and follow-up through the corporate scorecard.

IFC has a demonstrated track record of using evidence to guide process improvements to enhance delivery and results, particularly in the area of work quality. Following a joint review completed by IFC and IEG in 2018, appraisal work quality has improved over the review period for investments and advisory projects; however, there is room for continued improvement. This has also been evident in steady improvement of development outcomes and development effectiveness ratings for completed projects since 2018. This emphasis on the use of data-driven decision-making and evidence is further apparent in IFC's annual and quarterly reporting to the Executive Board on its corporate scorecard, budget execution, portfolio performance and risks. This is underpinned by ongoing data illustrating IFC's portfolio approach, balancing its Risk-Adjusted Return on Capital (RAROC) against expected development and market impacts through AIMM.

The performance of IFC's operations has been on an upward trajectory throughout the assessment period. Development outcome and development effectiveness ratings for IFC's IS and AS projects have improved in key areas including overall profitability, environmental and social effects and contribution to private sector development.

improvement has occurred following a 2017 joint IFC-IEG study examining drivers behind a decline in development outcomes prior to the assessment period which identified opportunities to strengthen IFC's front-end work quality. Actions taken in response to this study have also yielded continual improvement in work quality ratings. AIMM has played a key role in enhancing emphasis on projects likely to yield development and market impacts and demonstrating the delivery of non-financial additionality through IFC's operations. By contrast, the development effectiveness of IFC's operations in FCS have declined throughout the assessment period, meriting further attention.

IFC's future trajectory

IFC's strategic vision and operational transformation remain relevant, with opportunities to further build upon the emerging results. Large scale strategic and structural changes are beginning to pay off in terms of building the pipeline of upstream work and gradually converting these projects to committed investments. New mechanisms such as the PSW and CMAW have played an important role in scaling up investments in LIC and FCS. AIMM has been fully integrated into investment decision-making and there are now opportunities to further strengthen its role in monitoring and the creation of feedback loops as the portfolio matures. It is now an opportune moment for IFC to take stock, adjust course as needed and further build upon the delivery of strategic results. This process will be further reinforced by continued investments in knowledge management processes and the strengthening of operational feedback loops.

As the WBG undertakes its evolution, internal collaboration will remain essential. The recent changes in the WBG's leadership, including the election of a new President, are signalling the continued and increasing importance of working as "One Bank Group" to facilitate the mobilisation of private finance for development. This focus on enhancing WBG collaboration to promote an enabling environment for investment is clear in the WBG's new mission and vision (WBG, 2023). The complexity of development challenges and the scale of ongoing needs will require strong collaboration within the WBG, and for IFC to work in strategic partnerships with other organisations to generate synergies for delivering on the Sustainable Development Agenda. In line with this vision, IFC can also contribute to better demonstrating its contribution to results for global themes by leveraging its existing systems such as AIMM for this purpose.

In scaling up support for global themes, IFC's continued leadership in the areas of mobilisation and blended finance will be essential. IFC's in-depth private sector knowledge has already made a strong contribution to addressing key issues such as climate change, gender and working in the most difficult environments such as FCS, using blended finance and other tools to de-risk projects. IFC's knowledge will need to be captured even more systematically and deliberately disseminated. IFC will need to further strengthen mobilisation and co-financing through the identification of innovative approaches that address both financial and contextual constraints to investment.

As IFC moves forward in this evolution, the following opportunities for IFC and the WBG could be considered:

Sharpening the strategic focus

- Identify a selective and strategic approach to working as "One Bank Group" to mobilise private finance and capitalise on the WBG's comparative advantage. Clarify the role of the WB and IFC in creating an enabling environment for private capital mobilisation and put in place appropriate measurement and incentives for systematic implementation of the Cascade approach.

- Enhance how priorities for policy dialogue and reform to create an enabling environment for private sector-led development, including IFC's upstream work, are reflected in CPFs and their results frameworks.

- Build on the success in setting global standards, identify key areas for collaboration with other partners and update IFC's Performance Standards to ensure continuation of IFC's leadership in this area.

Enhancing evidence-based decision-making and uptake of lessons

- Approve a Knowledge Management Strategy that further strengthens operational learning by identifying clear roles, responsibilities, incentives and metrics for identifying operational lessons and applying them to new investments.

- Strengthen the role of AIMM in creating feedback loops and demonstrating the achievement of outcomes from cross-cutting themes. Use AIMM to contribute to outcome-level indicators for global issues such as gender and climate change in the next corporate scorecard.

- Continue efforts to ensure coherence between AIMM and the project evaluation framework (XPSR) to capture valuable insights and ensure lessons are consistently taken up within operations.

Further strengthening internal processes

- Build upon progress achieved in enhancing work quality and internal control systems to streamline investment decision-making, including taking up lessons from the FTCF.

- Continue monitoring the conversion of upstream work to committed investments based on accumulated evidence to identify lessons learned.

- Continue to enhance accountability by strengthening the implementation and monitoring of grievance mechanisms and follow-up throughout the investment cycle and monitor compliance with IFC's Performance Standards.

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DETAILED LOOK AT FINDINGS

SCORING IFC'S PERFORMANCE

This chapter provides a more detailed assessment of IFC's performance across the five performance areas – strategic management, operational management, relationship management, and performance management and results – and the key performance indicators (KPIs) that relate to each area, accompanied by their score and rating. It illustrates findings and highlights feedback from stakeholders (e.g., from the survey).

The MOPAN performance scoring and rating scales are listed below.

FIGURE 7. **MOPAN 3.1 PERFORMANCE SCORING AND RATING SCALE**

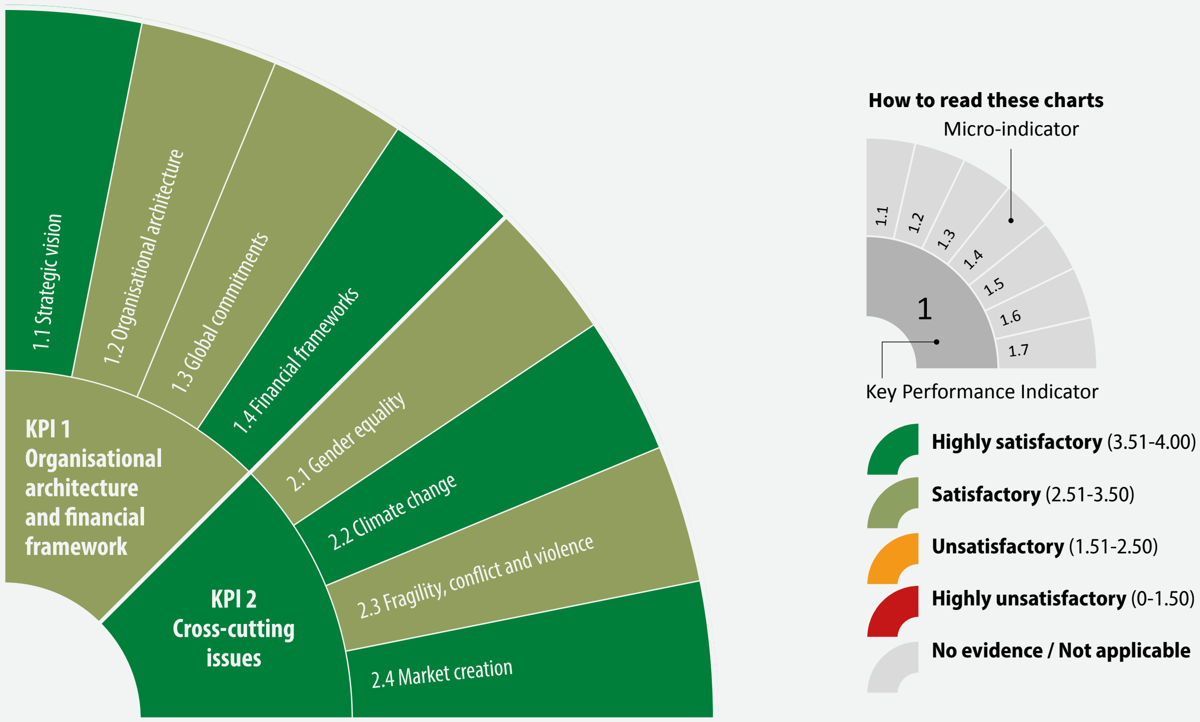
- Highly satisfactory (3.51-4.00)
- Satisfactory (2.51-3.50)
- Unsatisfactory (1.51-2.50)
- Highly unsatisfactory (0.00-1.50)
- No evidence / Not applicable

Assessment key findings draw on information from the three evidence sources (document reviews, interviews and a partner survey – see Chapter 4 for more information).

Further analysis per micro-indicator and detailed scoring, as well as the full survey results, can be found separately in Part II: Technical and Statistical Annex of the MOPAN assessment of IFC (2023).

STRATEGIC MANAGEMENT

FIGURE 8: **IFC'S STRATEGIC MANAGEMENT – KEY FINDINGS**



IFC has a long-term vision and organisational strategy grounded in the twin goals of the World Bank Group (WBG), reinforced by IFC 3.0. 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 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.

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 low-income countries (LICs) and fragile and conflict-affected situations (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 Measurement and Monitoring (AIMM) system also plays a role in integrating cross-cutting themes into investment decision-making and supporting project monitoring.

The **strategic management** performance area explores whether there is a clear strategic direction in place that is geared to key functions, intended results and the integration of relevant cross-cutting priorities. This area is assessed through the two KPIs specified below:

KPI 1: Organisational architecture and financial framework enable mandate implementation and achievement of expected results.

Satisfactory	3.43

IFC has a long-term vision and organisational strategy, grounded in the twin goals of the World Bank Group and the Sustainable Development Agenda. IFC's long-term vision is articulated through the 2013 WBG Strategy and the 2016 Forward Look, which established a roadmap to achieve the WBG's twin goals of eradicating poverty and promoting shared prosperity in light of the 2030 agenda (WBG, 2013; WBG, 2016a). The 2018 Capital Increase Package, which reflects the strategic priorities articulated in the Forward Look, identifies a series of policy commitments to guide its delivery, including: (i) serving all clients, with an emphasis on low-income countries (LICs) and fragile and conflict-affected situations (FCS); (ii) leading on global themes; (iii) creating markets; and (iv) improving the business model. (WBG, 2018)

IFC 3.0, introduced in 2016, operationalises IFC's strategic vision and comparative advantage around the pillars of creating markets and mobilising resources through private sector solutions. In implementing IFC 3.0, IFC has implemented a number of changes over the course of the assessment period. As part of the "IFC 3.0 toolkit," new analytical and operational tools were developed to focus IFC's operations on market creation, including the introduction of the AIMM and CPSDs. (IFC, 2020a) These were complemented by new instruments to support upstream work focusing on LICs and FCS, including the IDA PSW and CMAW, and a repositioning of existing platforms for mobilisation of private finance such as the Managed Co-Lending Portfolio Programme (MCPP).

In addition to implementing new tools, IFC has made progress in adapting existing business processes and has changed course as needed based on evidence. Key changes were made to the Accountability and Decision-Making (ADM) Framework in 2018 to integrate the AIMM system into investment decision-making and put greater emphasis on results. These changes responded to recommendations of a joint IEG and IFC Management review of development results, focusing on strengthening work quality. More recent initiatives include the introduction of country-driven budgeting for advisory services and upstream work to respond to market creation opportunities in a more agile way. The ADM was adjusted again in 2023 to enhance the timeliness of investment decision-making.

IFC's strategic vision and organisational strategy are reviewed through the annual strategic planning and budgeting process and its corporate scorecard. IFC revamped its corporate scorecard in 2018 to better reflect IFC 3.0 and its CIP Commitments and strengthen its value as a strategic management tool. Strategy and Budget Outlooks (SBOs) are produced annually, which provides another touchpoint for reviewing implementation of the strategic vision. A budget is produced following discussion of the annual SBOs, ensuring that budget formulation is guided by strategic priorities. The budget is formulated through a top-down and bottom-up process across units within these strategic parameters. Annual budgets consistently identify "strategic resource shifts" necessary to implement IFC 3.0, including increased focus on FCS contexts and resourcing of new upstream units. A series of budget efficiency measures have been introduced to monitor CIP efficiency commitments, including the Budget Coverage Ratio (BCR) and Cost of Doing Business (CODB) indicator.

Implementation of the strategic vision and IFC 3.0 is further supported by a strong financial and budget framework, complemented by tools to support private capital mobilisation. Financial sustainability is tracked through a series of metrics that reflect good practice, including: (i) the risk-adjusted return on capital for IFC's debt portfolio (RAROC); (ii) total return on the equity portfolio against the MSCI Emerging Markets Index; and (iii) Capital Utilisation Ratio (CUR). The financial framework is reviewed regularly, with recent updates made to IFC's capital adequacy framework in 2022 to consolidate roles and responsibilities in the context of the broader Enterprise Risk Management Framework. IFC's financial and risk management policies, limits and methodologies are regarded as "robust and conservative" among ratings agencies such as Moody's and Standard & Poor's, yielding consistently strong credit ratings.

Shareholder capital is complemented by mobilisation of investment funds and market borrowings. Management Discussion and Analysis of Financial statements identify IFC's sources of funds, including borrowings (including long-term, short-term and borrowings from IDA), retained earnings and paid-in capital. IFC borrows significant amounts from market sources, with its portfolio totalling USD 49.9 billion in FY22 (USD 9.1 billion in new borrowing; IFC, 2022d) This includes IFC's Social Bonds and Green bonds which support the implementation of a range of projects aligned to the SDGs, having issued 73 social bonds worth USD 4.9 billion as of end FY22. (IFC, 2022e)

Trust funds and other sources of concessional resources support the implementation of IFC 3.0 through the delivery of advisory services (AS) and blended finance. The main funds used to support the delivery of AS include donor contributions, client contributions, IFC's Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS), the Creating Markets Advisory Window (CMAW) and the IDA Private Sector Window (PSW). Donor trust funds, accounting for an average of USD 400 million annually in financial commitments between FY17-FY22, support both the delivery of advisory services and blended finance. These funds support investments in priority themes such as gender and climate as well as upstream project preparation, knowledge transfer and promotion of good practices.

Procedural changes have been introduced to maximise the strategic value of trust funds and blended finance and streamline governance. These changes include financial principles for advisory services and ADM reforms to strengthen the alignment between fundraising and strategy. Country-driven budgeting helps maximise alignment between advisory and upstream work and IFC's strategic priorities at the country or regional level. IFC manages concessional funds in line with the DFI Enhanced Blended Concessional Finance Principles for Private Sector Operations and has recently introduced a policy framework for blended finance to promote effective, efficient and transparent use of funds. In establishing the governance structure for the PSW, a methodology has been established to rationalise the required level of subsidy. IFC has now established a centre of expertise for blended finance to gain synergies and has pioneered project-level disclosure on concessionality.

KPI 2: Structures and mechanisms support the implementation of global frameworks for cross-cutting issues at all levels, in line with the 2030 Sustainable Development Agenda principles.

Highly satisfactory	3.58

Cross-cutting themes, including gender, climate change, fragility and market creation, have been fully integrated into IFC's strategic commitments. These themes are reflected in the 2016 Forward Look and IFC's CIP with respect to: (i) strengthening the integration of gender into strategies, investment and advisory services and closing outcome gaps between men and women; (ii) increasing IFC's Long-term Finance (LTF) Commitments devoted to climate; (iii) scaling up IFC staffing and commitments in LIC and FCS countries; and (iv) working as "One Bank Group" to scale up private sector solutions and mobilisation to enhance market creation. (WBG, 2016a; WBG 2018) These commitments are measured through a series of targets in the Corporate Scorecard as well as institutional KPIs measured internally.

Cross-cutting themes are well integrated into IFC's strategic architecture and strategic planning processes. IFC's strategic commitments to cross-cutting issues are operationalised through a range of World Bank Group Strategies, including the WBG Gender Strategy (WBG, 2016b), the Climate Change Action Plan (CCAP) (WBG, 2021b) and the 2020-2025 WBG Fragility, Conflict and Violence Strategy (WBG, 2020). Repositioning the organisation to support market creation is the central theme of IFC 3.0. There is also evidence of linkages across these themes among the different strategies, including mainstreaming gender-sensitive approaches to climate action and closing gender gaps through engagement in FCV settings. Gender, climate and fragility are each reflected in IFC's SBOs, alongside progress achieved in implementing strategic shifts in view of IFC 3.0.

Over the course of the assessment period, IFC has scaled up expertise and human resources to address gender equality, climate change, fragility and market creation. Specialist teams have grown in size over the assessment period to support the mainstreaming of gender and climate change considerations into investments, including a network of staff based in country and regional offices and industry departments. These staff help facilitate the uptake of lessons and good practices (e.g., through the IFC Gender database) and knowledge sharing across regions. Over the course of the assessment period, IFC's staffing in FCS increased 88% from FY19 to FY22. Furthermore, IFC has also established a centralised FCS network to harmonise efforts across an internal community of 450 staff working on or interested in FCS. Considerable progress has been achieved in establishing expertise for upstream market creation, including the integration of upstream and advisory staff into regional and global sector teams, bringing total upstream staff to approximately 360.

IFC's support to cross-cutting themes is facilitated by a range of financial resources from IFC's own account allocations, income designations, client fees and trust funds. Support for climate change investment and mainstreaming is supported by IFC's green bonds and blue bonds, including 198 green bonds and taps at a value of USD 12.6 billion and USD 1 billion for blue loans and bonds. (IFC, 2022e) Furthermore, IFC has an updated a Green Bond Framework, 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. IFC works closely with vertical funds such as the Climate Investment Funds, Global Environment Facility and Green Climate Fund as well as a range of bilateral facilities supporting blended finance. Dedicated focal points support blended finance for climate and climate finance innovation.

New fund windows, including the IDA-Private Sector Window and the Creating Markets Advisory Window support implementation of the upstream approach and investment in LICs and FCS. The IDA Private Sector Window (PSW) and Creating Markets Advisory Window (CMAW) have provided an important resource base to support advisory work and investment in LICs and FCS to promote market creation in challenging contexts. Finally, there has been a demonstrable shift in IFC's budget allocation to support upstream work, including an increase from USD 29 million to USD 107 million between FY20 and FY21. Country-driven budget allocations introduced in FY21 enable great alignment between upstream and advisory activities and country strategies.

New analytical products have been introduced to mainstream cross-cutting themes into country strategies, advisory work and investments. IFC supports consideration of cross-cutting themes in the design of WBG Country Partnership Frameworks (CPFs) through new analytical products, including the Country Private Sector Diagnostic (CPSDs), Country Climate and Development Reports (CCDRs). CPSDs in particular serve as a key analytical input toward WBG collaboration for policy reform to eliminate obstacles for investment. (WBG, 2021a) The CPSDs identify gender considerations and apply a fragility lens to inform CPF development. However, there are opportunities to enhance consideration of climate change issues in the CPSD and IFC has started to place climate economists in regional teams to address this challenge.

Tools and dedicated programmes have been introduced to help mainstream cross-cutting themes into operations. Mainstreaming of gender has been supported by the introduction of the "gender flag" for investments and advisory services, which identifies projects that have analysed a gender gap, developed an activity to address it and have reflected contribution to closing gender gaps in the results framework. The gender flag is complemented by specific programmes such as Digital2Equal and the Women on Boards and Business Leadership programme. With regard to climate, all projects apply greenhouse gas (GHG) accounting and incorporate a shadow price of carbon into economic analyses. From 1st July 2023, new operations will be "Paris aligned," including 85% of operations in 2023 and 100% by 2025. (WBG, 2021b). IFC applies a differentiated approach in its operations in FCS including increased upstream engagement, enhanced inclusion and conflict sensitivity and scaling up of blended finance solutions. Specific programmes include the FCS Africa Programme and Africa Fragility Initiative, a USD 74 million, 5-year initiative to support private-sector led growth and job creation across 32 FCS countries in Africa.

The AIMM system plays an important role in integrating cross-cutting themes into investment decision-making and creating institutional incentives. As part of the IFC 3.0 toolkit, AIMM assesses the expected development impact of IFC interventions at the project and market levels. Market creation considerations are fully integrated into AIMM. AIMM scores and Risk-Adjusted Return on Capital (RAROC) play a key role in implementing a "portfolio approach" to investment decision-making that balances profitability with development and market impacts. Gender and climate considerations are similarly integrated into the AIMM sector frameworks, with projects that address these themes being more likely to obtain a favourable score. The AIMM system also yields higher scores for projects with high market development potential in challenging settings, including LICs and FCS. The full integration of AIMM into investment decision-making provides an important incentive for investment teams to address cross-cutting themes. AIMM scores are integrated into the corporate scorecard, with IFC targets and tracking the proportion of new projects with "very strong" market creation potential.

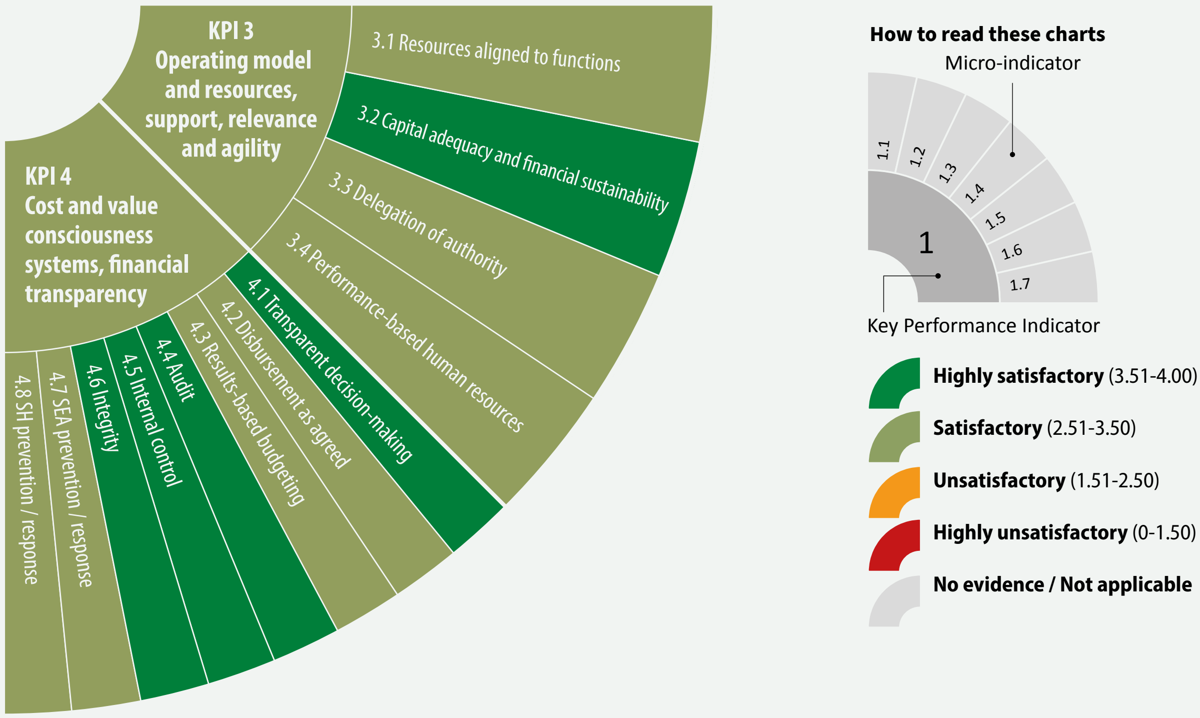
Cross-cutting themes are integrated into accountability frameworks and corporate reporting, but opportunities remain to demonstrate contribution to outcomes. Cross-cutting themes are reflected in IFC's CIP commitments and the Corporate Scorecard. The Gender and Economic Inclusion Business Group monitors and reports on a series of gender KPIs on a quarterly basis, including gender-flagged investment and advisory projects. IFC has consistently reported IFC's own LTF commitments devoted to climate change, this is primarily an input measure. Although no longer measured as part of the Corporate Scorecard, expected GHG emissions reductions from new investments are tracked and reported in IFC's Annual Report. With respect to fragility, IFC initially identified separate scorecard indicators for new investment in LICs and FCS. Now, LIC and FCS are tracked jointly based on IFC's CIP commitments.

Whereas the Independent Evaluation Group (IEG) has previously questioned this joint indicator, IFC management has noted that there is considerable overlap between LIC and FCS countries as well as similar investment challenges, with many LICs only recently emerging from fragile status.

IFC has scaled up staff training to support analytical capacity and mainstreaming for cross-cutting themes, including incorporating training into the core curriculum. E-learning and face-to-face courses on closing gender gaps, gender business benefits and gender flag training were developed over the course of the assessment period and broadly available to staff but is not mandatory. Similar training supporting climate change considerations and training around market creation and the AIMM system has been implemented and integrated into the core curriculum, including over 2000 cumulative training attendees for climate training at the time of writing. There is also mandatory WBG curriculum for staff working in FCS settings, including on tools for investment in IDA and FCS and scaling up analytical and operational capacities for FCS.

OPERATIONAL MANAGEMENT

FIGURE 9: **IFC'S OPERATIONAL MANAGEMENT – KEY FINDINGS**



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. IFC introduced new budget efficiency indicators to help guide the budget process while implementing IFC 3.0 and manage trade offs. An innovative country-driven budgeting process was also introduced to increase alignment of fundraising to strategic priorities. IFC's human resources systems are inherently geared toward results. All regular, open-ended, term and local staff are subject to a mandatory annual performance review, which is geared toward identifying training and learning needs and is linked to decision-making on promotions, sanctions and rewards. IFC has also made an ongoing effort to promote Diversity, Equity and Inclusion and a positive organisational culture.

IFC has cultivated strong internal controls and safeguards, promoting transparency, accountability and proactive risk management. Internal control functions such as audit are 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 criteria and governance structures supporting the use of blended finance in line with good practice. 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 Exploitation and Abuse 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.

This **operational management** performance area gauges to what extent the assets and capacities organised behind strategic direction and intended results ensure relevance, agility and accountability. This area is assessed through the two KPIs specified below:

KPI 3: Operating model and human and financial resources support relevance and agility

Satisfactory	3.25

Throughout the assessment period, IFC has sought to align staffing and human resources to the delivery of IFC 3.0. IFC's progress in implementing workforce restructuring is documented in its SBOs, including a structured workforce planning and restructuring programme aligned to strategic priorities such as upstream market development in IDA and FCS. New hiring and restructuring have sought to increase productivity and optimise the skills mix for operationalising IFC 3.0, including the creation of an Economics and Private Sector Development VPU to support IFC's upstream function and expansion of IFC's climate change expertise. Greater decentralisation has been achieved through the recruitment of local and regional staff and the placement of senior staff in country offices and regional hubs. Overall, 57% of staff and 70% of operations staff are now located in country offices. Over time, changes have been made to fine-tune restructuring efforts, including the movement of upstream staff to country offices and the merger of upstream work and advisory services.

These largescale changes have carried some unintended consequences, including increased reliance on consultants. IFC has continuously sought to align human resources to the implementation of IFC 3.0 throughout the assessment period. As of the end of FY23, IFC had about 4 343 staff, 387 positions in recruitment, 276 Extended-Term Temporaries and Consultants (ETT/ETCs) and 1 066 Short-Term Temporaries and Consultants (STT/STCs). Concerns have been raised by the World Bank Group's Internal Audit function (GIA) regarding the absence of clear processes to support the transfer of knowledge and skills from contingent workforce to the hiring units, creating a risk for institutional memory. Less competitive compensation for staff hired locally or as third-country nationals may have contributed to difficulties in recruitment in FCS contexts.

Changes in business processes to implement IFC 3.0 have not yet yielded expected results with respect to timeliness of decision-making and promoting WBG collaboration. The ADM was updated in 2018 to strengthen work quality in response to a joint IEG and IFC management review of development outcome achievement. These changes helped establish the upstream function, integrate AIMM into investment decision-making and reinforce the management of Environmental and Social risk throughout the investment lifecycle. However, these changes have also coincided longer processing times, with IFC's median mandate to disbursement indicator increasing from 195 days in FY19 to 309 days in FY22. Stakeholders note that while these changes have enhanced accountability for work quality, they have potentially reduced responsiveness to clients. The ADM was again modified in 2023 to address these concerns and integrate lessons from the COVID-19 response, during which processing times were reduced considerably through process innovations.

IFC has a systematic and transparent budgeting process that aligns resources to strategic priorities. IFC's budgeting process includes strategic "top-down" and operational "bottom-up" touchpoints to align resources to priorities and needs. Strong processes are also in place to monitor budget efficiencies and promote flexibility through budget carryovers. Budget documents clearly reflect the breakdown of resource allocation by region and theme. Administrative budget resources have been aligned to IFC's strategic transition, including enhanced allocations supporting analytical and upstream support.

New budget efficiency indicators help guide the budget process and manage trade-offs. IFC mainstreamed a Cost of Doing Business (CODB) analysis into the budget process in FY18. This metric helps IFC understand the cost dynamics of investment projects in different business areas, analyse drivers and trajectory and calibrate resource requests. IFC's Budget Coverage Ratio (BCR) is a key budget efficiency metric, reflecting administrative expenditures divided by loan and fee income. In 2020, an initial target threshold was set at 85% or below for the period of 2021-2023. In recent years, the BCR has exceeded this threshold, reaching 98% in FY21. Whereas IFC has not exceeded its administrative budget authority for any year in the assessment period, loan and fee income has been weaker than expected. This has partly been due to the COVID-19 pandemic, but not entirely as income had already been declining. In FY21, the BCR target was revised to 95% or below, with the BCR declining to 93% in FY22. BCR is projected to trend downward in future back to 91% in FY24.

IFC introduced country-driven budgeting in FY21 to increase alignment of fundraising to strategic priorities and country needs. This innovation responds to previous challenges in promoting strategic fundraising of external funds. Country-driven budgeting and a new Funding Needs Assessment (FNA) helps increase internal alignment of fundraising priorities and enable more efficient fundraising from development partners. This exercise gives country managers greater control over upstream and advisory budgets, aligning them to country priorities. IFC stakeholders report that this process is working well, allowing them to draw in the required resources when there is a reasonable chance of an investment materialising in the not-too distant future.

IFC has a strong Capital Adequacy Framework (CAF) and reviews its capital position regularly. IFC management holds economic capital under a recently enhanced economic capital framework to help the institution adjust and absorb risks for credit market volatility as well as operational risks from investment and treasury activities. IFC actively monitors its capital position and reports to the executive board using key metrics such as the Capital Utilisation Ratio (CUR), which reflects capital required (i.e., the capital needed to support the investment and Treasury portfolios as well as capital for operational risk) / capital available. Throughout the assessment period, IFC has stayed within the established threshold of less than 88%; however, there is now considerable scope to expand IFC's portfolio to make optimal use of its capital while ensuring financial sustainability. IFC's strong capital position and policies for funding and liquidity management are well recognised by ratings agencies. Recent actions have been taken to enhance the governance of the CAF, including better defining key processes, roles and responsibilities for implementation of the economic capital framework and integrating these into existing structures for Enterprise Risk Management.

The capital position is complemented by a strong focus on mobilisation as a key pillar of IFC 3.0. One of IFC's long-term CIP commitments is to increase core mobilisation to USD 23 billion annually by FY30, or 92% of IFC's targeted LTF commitments. IFC achieves mobilisation through a range of activities and platforms, including syndications, parallel loans and loan participations. Platforms such as the Managed Co-Lending Portfolio Program (MCPP) and the IFC Asset Management Company (AMC) leverage IFC's origination capacity and deep market knowledge to identify opportunities for co-lending. These platforms create diversified portfolios of emerging market private sector loans and raise funds from external sources to invest alongside IFC in emerging markets. IFC's PPP advisory services have been recognised as having made an important contribution to core mobilisation through their ability to convene partners and structure PPP transaction solutions that bring in various partners from across the Bank Group. IFC's short-term finance (STF) has played a key role in mobilisation in challenging markets (e.g., FCS) and during the COVID-19 pandemic.

IFC has a clear framework for guiding decision-making and resource allocation in the context of investments. The ADM identifies how different actors within IFC interact at different stages of decision-making around investments to promote quality, ensure compliance and manage risk. The Managing Director and the Management Team carry out their responsibilities through three management committees: (i) the Tier Three Project Committee (T3PC); (ii) the Corporate Risk Committee; and (iii) the Blended Finance and Donor Funds Committee. Mandatory reviewers and key decision-makers are identified at each stage of investment design and appraisal. Internal audits have provided favourable opinions of these governance and oversight processes, noting clear roles and responsibilities as well as systematic implementation.

Human resources systems are inherently geared toward results. All regular, open-ended, term and local staff are subject to a mandatory annual performance review, whereby managers grade their staff on a curve. Managers are subject to a performance assessment tool called IMPACT, which is geared toward identifying training and learning needs. Performance assessments have a clear linkage to decision-making on promotions, sanctions and rewards, including compensation. Where minimum standards are not met, staff rules lay out processes for reassignment as well as discussion, documentation and monitoring of opportunities and expectations for improved performance. A robust and transparent system is in place for addressing complaints and disagreements, underpinned by administrative review of decisions, performance management review by a neutral party and the World Bank Administrative Tribunal (WBAT).

An ongoing effort has been made to promote Diversity, Equity and Inclusion and a positive organisational culture. The WBG has a clear organisational statement of commitment to foster and strengthen diversity and inclusion in both its work and its workplace, which is reiterated in the Staff Code of Conduct. Several initiatives have been undertaken to improve workplace culture and reinforce diversity and inclusion, including reporting on a "gender balance index" as part of the corporate scorecard and close the gender pay gap. Several taskforces have been established to address organisational culture issues, including the WBG Taskforce on Racism and the WBG Taskforce on improving organisational culture. These have been complemented by analysis undertaken by the Ethics and Internal Justice Vice Presidency (EIJ) to strengthen protections around retaliation. A challenge has been noted in reporting consistently on IFC's diversity, equity and inclusion efforts due to inconsistent provision and collection of demographic information among staff.

KPI 4: Organisational systems are cost- and value-conscious and enable transparency and accountability.

Satisfactory	3.48

IFC approves its investments on the basis of additionality, financial sustainability and development impact. IFC's Articles of Agreement outline the type of operations in which IFC can engage, stipulating that IFC makes investments in productive private enterprises in the territories of its members. These projects must be technically sound, likely to be profitable, beneficial to the local economy and environmentally and technically sound. IFC's Additionality Framework, updated in 2019, includes clear guidelines for articulating the additionality IFC provides to investment projects beyond what is available or otherwise absent from the market to avoid crowding out the private sector. Clear structures and processes are in place to identify credit risk ex-ante and qualify it in terms of the probability of default and exposure at risk and determine risk-based returns, project-based capital allocation, exposure limits and allowances for loss.

Approval criteria are applied flexibly to allow for agility in difficult contexts and as market conditions change, including clear criteria governing the use of blended finance. Tools such as the IDA PSW and the CMAW support investments in challenging priority markets by rebalancing the risk-reward profile of projects to support strategic priorities. Processes and criteria are in place governing country eligibility and ensuring adherence to the DFI Enhanced Blended Concessional Finance Principles. The CMAW plays a particularly important role in responding to increased demand for advisory work in these settings. The PSW also played an important role in supporting the implementation of IFC's Fast-Track COVID-19 Facility (FTCF), which supported existing clients in overcoming the effects of COVID-19 by delivering trade finance, financial support for real sector clients and working capital solutions for SMEs through local financial institutions.

There are strong processes in place for risk management and oversight of legal covenants throughout the investment lifecycle. Disbursement timelines and conditions are established as standard components of investment agreements. Regular monitoring implemented by investment staff and the credit and legal departments ensure compliance with legal conditions established for disbursement. Clients submit regular reports on financial and social and environmental performance, with quarterly supervision implemented to review financial results and project risks and identify any non-compliance with legal covenants, captured in a quarterly risk rating document. When projects show signs of financial distress, IFC's Department of Special Operations works to implement the restructuring, or possible recovery, of IFC's exposure. Droppages and cancellations are monitored closely, including an analysis of drivers, but are not reported publicly. Ex-ante and portfolio AIMM scores have been integrated into corporate portfolio monitoring, further supporting a "portfolio approach" to investment decision-making that balances development impact and profitability in line with IFC 3.0.

IFC has systems in place to track and report on budget implementation and performance against projections, indicating a rise in administrative budget expenditure over time. Publicly available budget documents and annual financial reporting and analysis clearly indicate the resource trajectory, including previous years' actual administrative budget and total resources. Annual financial statements are audited externally in accordance with auditing standards generally accepted in the United States of America (GAAS), with audits indicating that IFC has maintained in all material aspects effective control of financial reporting, consistently receiving an unqualified opinion. Staffing expenses have been the primary driver of IFC's cost base, with salaries and benefits accounting for 67.33% of total administrative expenses between FY20 and 22 and an additional 1.9% for consultants (IFC 2022b). IFC Budget data indicate that total administrative budget authority increased by 3.8% per annum since FY17 and FY23.

IFC has a robust institutional architecture for addressing a broad array of external and internal control issues. The WBG sets out clear standards and expectation for staff conduct in the staff rules and Code of Ethics around supervisory relationships, compliance with fiduciary obligations and conflicts of interest, among other issues. These are operationalised through an institutional architecture of independent accountability bodies, including the Integrity Vice Presidency (INT), the Inspections Panel, the Ethics and Internal Justice Vice Presidency (EIJ), Group Internal Audit (GIA) and the Independent Evaluation Group (IEG). These structures are underpinned by a well-established internal justice system and the Administrative Tribunal. Clear policies and procedures are in place for investigations as well as reporting mechanisms that protect the anonymity of whistle-blowers to the greatest extent possible. Protection for whistle-blowers and protections for accused staff are enshrined in the staff rules and Code of Conduct. Case management systems enable public reporting on cases, resolution and follow-up.

The WBG, including IFC, has clear policies and procedures in place to address fraud and corruption among staff and conduct "integrity due diligence" (IDD) for all business clients. The WBG possesses a robust set of policies and guidelines supported by dedicated and operationally independent organisational units, including GIA, INT and the Sanctions Board. The WBG's five sanctionable practices (behaviours that are corrupt, fraudulent, collusive, coercive and/or obstructive) are interpreted in IFC's context and supported by IFC-specific sanctions procedures. IFC conducts IDD on all business clients and partners for all engagements using a risk-based approach to identify, assess and document integrity risks throughout the investment cycle. GIA concluded that IFC's IDD process is implemented systematically, including well-established governance and oversight mechanisms and clearly defined roles and responsibilities.

Internal control functions reflect good practice and increasingly move beyond good practice to implement more proactive, preventative approaches. In an external assessment launched in FY22, GIA received the highest possible ranking against internal audit standards. GIA has increasingly shifted to an advisory approach to provide nimble upstream input into decision-making and foster a more open dialogue with management. INT has scaled up staff training through its recently revamped training programme "Integrity is your Business" and conducted outreach to companies to promote integrity compliance principles. INT's "data lab" extracts insights to monitor/prevent risks from materialising in new projects. The Ethics and Internal Justice Vice Presidency (EIJ) has sought to scale-up its outreach to staff and management to promote the reporting of misconduct through extensive staff and management training programmes reaching 16,000 WBG staff in FY22. (WBG, 2022b) WBG Staff Survey results suggest most staff trust they will have protection from retribution, but this is not universal.

The WBG, including IFC, has a dedicated corporate statement and institutional action plan to address Sexual Harassment with resources identified to monitor implementation. In April 2018, IFC participated in an MDB Joint Statement on Continuous Advancement of Standards to Prevent Sexual Harassment, Abuse and Exploitation. In October 2021, the WBG issued a specific corporate statement on Sexual Harassment with a corresponding 3-year action plan, implemented by the EIJ. This followed an independent external review of WBG policies and procedures. Concrete measures have been taken to implement the action plan, including updating the WBG Staff rules and Code of Ethics, identification of an Anti-Harassment Coordinator (AHC) to serve as a central point of contact responsible for following up with victims and providing information and support. All staff and managers are now required to undergo training around sexual harassment prevention. Multiple channels have been established for reporting through management, EIJ, the AHC and online channels, with case management and reporting systems demonstrating an increase in reported cases.

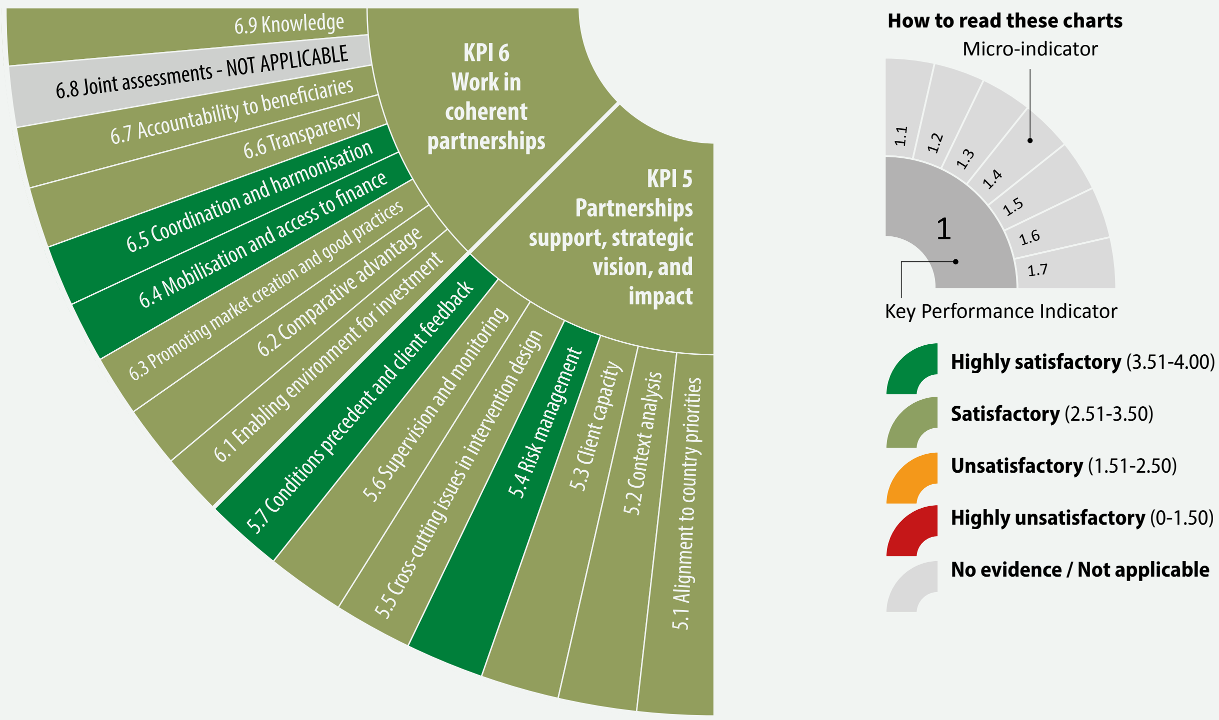
IFC has made a clear organisational commitment to addressing Sexual Exploitation and Abuse (SEA), including due diligence practices to ensure clients prevent and respond to SEA. The WBG has a Gender-Based Violence Action Plan, which also addresses prevention and response to SEA. SEA has been integrated into IFC's Sustainability Policy and Performance Standards; however, thus far this has only been done for guidance documents rather than being reflected in mandatory performance standards. A risk-screening tool has been developed for Gender-Based Violence and Harassment (GBVH) with annual training of E&S specialists and clients, including a webinar for Financial Intermediaries (FIs). IFC has produced a Good Practice Note for the Private Sector on how to Address Gender-Based Violence in collaboration with CDC and EBRD which advocates a survivor-centred approach to responding to SEA, including ensuring grievance mechanisms are in place to provide support to victims. Since the release of a critical external review in 2020, IFC has worked with the Compliance Advisor Ombudsman (CAO) to implement recommendations and define specific processes for addressing SEA, including training for clients on the management of grievance mechanisms and training for IFC staff on ensuring appropriate stakeholder engagement throughout the investment lifecycle. However, a recent 2022 internal review has demonstrated that there remains inconsistency in the implementation of grievance mechanisms by clients in line with the requirements of IFC's Performance Standards.

IFC has sought to implement innovative business processes that support agility and data-driven decision-making. 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, as it is reflected in assessments of additionality and AIMM scoring (e.g. through innovation and demonstration effects). In particular, IFC is using machine learning and data analytics to strengthen oversight and accountability functions. Examples include: (i) IFC's Machine Learning ESG Analyst, an artificial intelligence-powered platform that identifies insights from ESG data to enable rapid analysis; (ii) The Integrity VPU's (INT) Data lab and risk analytics team, which works to extract insights and analysis from ongoing cases to support early intervention and prevention, providing insights to support project approval; and (iii) The IFC Dashboard, accessible to all staff, which provides live information on IFC's investment programme and pipeline by sector and industry, including progress achieved against annual targets and year over year comparisons.

Although considerable progress has been achieved in strengthening IFC's knowledge management to support operational learning, this remains an area of opportunity. Following a critical GIA report in FY20, IFC implemented a range of initiatives to strengthen the harvesting and dissemination of operational lessons across the institution. Operational lessons are captured from multiple sources across the institution, albeit in a fragmented way. Lessons are captured in implementation plans, supervision reports and completion reporting (Expanded Supervision Reports, XPSRs) after projects reach maturity, a sample of which are validated by the Independent Evaluation Group (IEG) and used to provide "insights" using artificial intelligence. Going forward, IFC is positioning itself to implement a number of knowledge management technology enablers to enhance the identification, access and uptake of lessons from operations, including an IFC Lessons Platform. IFC's Special Operations Team (CSO) has identified a systematic approach whereby it harvests tacit and explicit project knowledge to improve structuring of new investments and avoid typical pitfalls that put investments at risk. Nevertheless, IFC continues to lack a Knowledge Management Strategy to formalise roles and responsibilities and a governance structure for knowledge management.

RELATIONSHIP MANAGEMENT

FIGURE 10: **IFC'S RELATIONSHIP MANAGEMENT – KEY FINDINGS**



The introduction of WBG Country Partnership Frameworks (CPFs) in 2014 has helped promote alignment with national development priorities while identifying opportunities for market creation. Country Private Sector Diagnostics (CPSDs) 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.

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 six 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.

The relationship management performance area looks at whether the Organisation has engaged in inclusive partnerships – and to what extent – supported relevance, leveraged effective solution and maximised results. This area is assessed through the two KPIs specified below:

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.

Satisfactory	3.40

IFC implements dedicated processes and tools to align its activities to national development priorities and identify opportunities for market creation. Since 2014, IFC has contributed to the development of WBG CPFs, including a more explicit and substantive role in country engagement processes. Performance and Learning Reviews (PLRs) and Completion and Learning Reviews (CLRs) are also considered to be joint documents approved by the management of all WBG entities. CPSDs support more systematic and substantive input from IFC into the development of CPFs and feed into IFC's own planning and strategic process to identify opportunities for private sector-led growth and address constraints to increasing private investment in countries of operation. IFC also develops its own Country Strategies, an internal document, that help define a sequenced set of upstream, advisory and investment activities to respond to country needs, priorities and investment opportunities.

Despite the introduction of joint-WBG CPFs, important challenges remain for promoting market creation through a One Bank approach. Current country-level results systems, notably CPF results frameworks, focus on lending and investments. This creates challenges for demonstrating the results of upstream engagement and policy dialogue in line with IFC 3.0. Furthermore, IFC is a smaller organisation than the WB and has a smaller country presence, making it more difficult for them to participate in consultations with national governments on the same scale. While consultations with the private sector take place, it is unclear how they contribute to the development of the CPF. IFC tends to place greater emphasis on its own internal Country Strategies, which are more aligned to its operating model and context than WBG CPFs. IEG had initially raised a risk of potential misalignment between CPFs and IFC Country Strategies; however, MOPAN's review of available Country Strategies suggested that IFC Country Strategies are typically aligned with both CPSDs and CPFs and articulate IFC's comparative advantage.

IFC has scaled up its field presence and enhanced its scrutiny of additionality and development outcomes to support the operationalisation of IFC 3.0. IFC has expanded its global footprint through the recruitment of Third Country Nationals, who bring a better understanding of local markets and political economy to tailor projects to client needs. Furthermore, AIMM is now fully integrated into investment design and decision-making, prompting teams to assess the extent to which projects have transparent and credible development outcomes that address a country's development gaps. Finally, IFC's additionality framework and accompanying guidelines provide a basis to articulate the additionality of investments in a rigorous way, supported by an internal review process.

Investments are actively supervised after commitment and adjustments are made as needed to enhance recoveries and project outcomes in cases of underperformance. Quarterly supervision takes stock of risks related to feasibility, commercial viability and E&S risk, whereas AIMM tracks development outcomes on an annual basis, starting one fiscal year after commitment. Market outcomes are assessed annually after a project reaches operating maturity. IFC also conducts systematic portfolio reviews that cover credit and ES risks and portfolio AIMM scores reflecting development outcomes. When projects experience challenges that undermine their viability, IFC works to enhance recovery and project outcomes. IFC's CSO implements restructuring or recovery of IFC's exposure when projects show signs of financial distress. However, it is less clear what actions IFC takes when individual projects demonstrate weak development outcomes.

IFC's COVID-19 response has demonstrated its ability to respond to broader market impacts arising from external shocks. IFC's USD 8 billion FTCF supported existing clients with new loans and equity investments as well as trade facilitation and credit lines to emerging markets banks. The Facility was implemented through a framework approach, supporting rapid implementation and approval. In the second phase of its response, IFC added a base-of-the-pyramid programme for financial service providers (USD 600 million) to provide additional support to low-income populations hit by the pandemic and a USD 4 billion Global Health Platform. IEG's Early-Stage evaluation of the WBG's COVID-19 response noted that, without IFC, existing clients would have either defaulted on loans or cut back on their on-lending programmes. Following the outbreak of the Ukraine war, IFC provided working capital to clients to enable continued access to food, fuel and medicines and has implemented an innovative SWAT approach to manage risks in a volatile investment context.

IFC has a comprehensive Enterprise Risk Management (ERM) framework that covers a range of risks throughout the investment lifecycle, including credit risk. Credit risk is assessed for all investments during appraisal. Thereafter, projects are periodically reviewed throughout their implementation for compliance to investment agreements and any material changes. Projects with higher credit risk are supervised more intensively and are subject to mitigation measures. IFC also works with clients to remedy any non-compliance and address identify risks raised through management plans. Internal audits have confirmed that these processes are generally robust and implemented systematically. IFC's management of credit risks is reflected in its monitoring of Non-Performing Loans (NPLs), which have decreased over the course of the assessment period with the exception of FY20, influenced by the pandemic.

Investment decisions are informed by front-end client capacity assessments and integrity due diligence. Client capacity is assessed during investment appraisal for management of several categories of risk, including E&S risk, client corporate governance, climate risk, integrity due diligence, Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT) and external financing risks. IDD reviews typically include feedback from country offices, open-source research and screening of individuals and entities against various sanctions. Advisory Services (AS) and disbursement conditions are key tools to address weaknesses in client capacity alongside robust monitoring for compliance. GIA audits have found that these mechanisms are adequately designed and implemented systematically, with some scope to further enhance implementation during supervision.

Investment supervision feeds into a robust portfolio monitoring function. Quarterly reports from clients support ongoing monitoring for compliance with loan agreements. Central Portfolio Management monitors timeliness and compliance with portfolio reporting requirements, including credit ratings and AIMM scores and production of Expanded Projects Supervision Reports (XPSRs). Regional portfolio managers implement portfolio supervision and monitor key data such as droppages, cancellations and pre-payments. The portfolio supervision function is a key tool for drawing management attention to emerging performance issues. IFC implements comprehensive quarterly reporting to the Executive Board, including analysis of portfolio performance, risks and analysis of performance trends.

IFC implements end-to-end monitoring and management of ES Risks. This includes reviewing the maturity and reliability of clients' ES corporate management systems and their capacity to manage ES performance effectively during project preparation. ES risks are supervised throughout the lifetime of investments through staff site visits, implemented by over 200 ES staff integrated into operations. Clients submit Annual Monitoring Reports, which illustrate progress in meeting the ES terms of the investment agreement. An ES Risk Rating (ESRR) system is implemented to evaluate client performance in managing ES risks, with 88% of projects obtaining a satisfactory or excellent rating in FY22. IFC's ES Systems are further supported by the Office of the Compliance Advisor (CAO), which serves as an independent recourse and accountability mechanism that facilitates dispute resolution and compliance review and provides advice to IFC management and the executive Board on improving IFC's E&S performance.

Principles and processes are implemented to manage concessional funds in accordance with the DFI Enhanced Blended Finance Principles for Private Sector Operations. Under its Blended Finance Policy Framework, IFC aims to use blended finance: (i) effectively, to achieve the intended development impact; (ii) efficiently, to ensure minimum concessional funds are applied to catalyse commercial capital; and (iii) transparently, to enhance the market creation potential of each transaction. Introduction of the Blended Finance Committee has contributed to the development of robust processes to and criteria and active debate over the required subsidy of individual projects. IFC is also piloting good practices in this area through the establishment of a blended finance centre of expertise and the launch of project-level reporting on level of subsidy.

Cross-cutting themes are mainstreamed into the design and monitoring of investments and AS. As discussed under Strategic Management, IFC has implemented effective tools for mainstreaming cross-cutting issues into its investments and AS, including the gender flag, GHG accounting, climate finance screening and fragility diagnostics. AIMM has been a particularly important tool for creating incentives upstream considering its integration into investment decision-making. AIMM also plays an important role in integrating standard indicators for cross-cutting themes into results frameworks and supports the monitoring of project-level outcomes.

IFC seeks client feedback through an annual client feedback survey, with client satisfaction monitored and reported through the corporate scorecard. IFC has recently streamlined its client survey to enable more agile implementation and better understand how IFC's clients benefit from different combinations of instruments. Client satisfaction is measured for both IS and AS. These measures used to be tracked and reported separately but are now tracked as part of one joint indicator (91% satisfied in FY22). Client satisfaction is also assessed with respect to support for cross-cutting issues such as gender and climate as well as the timeliness of IFC's services. Client satisfaction has historically been high, with over 85% of clients satisfied for both products across the assessment period in line with IFC's internal targets. The exception is for IS services in FY20 where client satisfaction was reported at 79% due in part to the challenges clients faced at the outset of the pandemic. Nevertheless, client satisfaction remained high overall and was reported at 91% for AS during the same year.

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

Satisfactory	3.19

IFC engages a wide range of stakeholders through its decentralised, country-driven business model to contribute to strengthening countries' investment environment. In the context of CPF preparation, IFC and World Bank staff consult a wide range of stakeholders, including governments, the private sector and civil society. CPSDs have become an important tool to inform CPF development, identifying: (i) the state of the private sector; (ii) near-term opportunities for private sector engagement; and (iii) potential policy reforms and actions to mobilise private investment and drive solutions to key development challenges. However, as noted above, IFC's activities tend to be guided more by its own Country Strategies rather than WBG CPFs. Nevertheless, IFC's Country Strategies are expected to demonstrate how strategic priorities address priority development gaps identified in SCDs and are linked to the WB program, which was further demonstrated through MOPAN's review of IFC Country Strategies.

IFC is meant to collaborate with the WB to "maximise finance for development" through the Cascade approach. The Cascade approach, introduced in 2017 to support the Maximising Finance for Development Agenda**,** involves an algorithm whereby the WBG will first seek private sector solutions to development problems before considering the need to promote private sector action through policy and regulatory reforms. (WBG, 2017a) Public sector financing is intended to be reserved for cases where other options are infeasible. Whereas key steps have been taken to implement the Cascade approach, they have not been effective in motivating staff to adopt it systematically. Although guidance has been developed, there is little monitoring and insufficient incentives to support implementation and identify lessons. IFC stakeholders, however, note challenges in ensuring these aims are addressed where the approach is not applied consistently by the WB in identifying and designing operations.

CPFs and IFC Country Strategies are monitored and updated over time, drawing upon consultations with partners. CPFs are subject to a Performance and Learning Review (PLR) to take stock of the context, adjust CPF objectives and programme as needed and identify and reflect upon emerging knowledge gaps. CPFs can be adjusted on the basis of this review, which involves consultation with key partners. Although IFC participates in PLRs, it places more emphasis on its own Country Strategies which are better suited to identifying a strategic pipeline of upstream, advisory and investment activities in a dynamic context. In the context of CPFs and PLRs, engagement of the host government is largely led by the World Bank and IFC's involvement depends on the topic.

IFC's Country Strategies are reviewed and updated frequently to reflect ongoing change in the investment environment. Building upon CPSDs, IFC's Country Strategies identify "if-then" conditions, including investment volume implications of different policy reforms, providing a means of adapting IFC's activities to changing contexts. These strategies are subject to a progress review every six months to take stock of the market environment, review progress against the implementation of priority policy reforms and identify implications for investment and upstream work. There are opportunities to build upon the one-directional approach taken by the Cascade approach to enhance consideration of evolving priorities for policy dialogue and reform to expand opportunities for private sector-led growth through PLRs.

A range of analytical tools have been implemented to enable shifts in IFC's activities as the investment climate changes. The WBG used to engage with countries annually on investment climate issues through its "Doing Business" report and rankings over 17 years, which were meant to stimulate policy reform. These reports were discontinued in 2021 after data irregularities emerged in previous reports. The WBG is in the process of replacing Doing Business with the Business Enabling Environment indicators, anticipated to be published in 2023. IFC also engages stakeholders through its Facility for Investment Climate Advisory Services (FIAS), which aims to ensure that business environments enable private sector growth and avoid imposing unnecessary burdens. At the level of individual investments, Implementation Plans and Supervision Reports regularly take stock of changes in the policy and regulatory environment and any implications for investment viability and development results.

IFC routinely engages different partners at country-level in implementing Country Strategies. Depending on the country, these partners may include DFIs, bilateral development partners, multilateral organisations or foundations, sometimes in the form of multi-donor platforms or roundtables. This co-ordination tends to work best when there is a project that is too large for any one institution to finance alone. This may occur due to fiduciary limits on participation in an investment to manage exposure risks. In some cases, collaboration with other institutions has focused on specific sectors, such as waste management in the case of the European Bank for Reconstruction and Development (EBRD). In 2010, IFC developed the Master Cooperation Agreement, a co-lending framework that standardises documents and enhances efficiency. This was recently updated through development of the Joint Cooperation Framework Agreement (JCFA), which enables other lenders to play the role of lead arranger and creates a structure for partnerships in upstream project development work.

Blended finance has played a key role in enabling IFC to crowd-in private finance and enhance markets in challenging contexts. Between FY10 and FY22, IFC deployed USD 3.1 billion in donor funds to support 369 projects in over 50 countries, leveraging USD 17.2 billion in additional financing. IFC has promoted standard-setting and uptake of good practices as the Chair of the DFI Working Group on Blended and Concessional finance. In addition to helping develop the DFI Enhanced Blended Concessional Finance Principles for Private Sector Operations, IFC is pioneering new practices such as the development of a Policy Framework for Blended Finance, creating a centre of expertise and disclosing the level of subsidy at the project level.

As part of the IFC 3.0 Toolkit, the IDA Private Sector Window has made an important contribution to crowding in resources in LIC and FCS. IFC manages its Blended Finance Facilities to mitigate various financial risks by providing loans, equity and guarantees to pioneering IFC investments across sectors with high development impact. With respect to the PSW, IFC has committed USD 1.9 billion between FY18 and FY22 for 73 projects with project costs over USD 10 billion. The window was deemed to have got off to a slow start due to the need to establish processes, train staff and launch communications. However, there have also been challenges around the limited availability of a pipeline of suitable projects and the gestation period for projects in different sectors. However, the PSW played a key role in IFC's COVID-19 response by facilitating rapid deployment of STF to existing clients in eligible countries.

IFC manages a range of other smaller blended finance windows across different strategic themes. These include the: (i) Global Agriculture and Food Security Programme (GAFSP); (ii) various climate facilities with support from bilateral and multilateral donors and foundations (e.g., the IFC-Canada Climate Change Programme); (iii) various gender-focused facilities such as the Women Entrepreneurs Finance Initiative (WeFi), Women Entrepreneurs Opportunity Facility, Global SME Finance Facility; and (iv) blended finance windows addressing FCS contexts, including the PROSPECTS Initiative, a blended finance facility for refugees. There are opportunities to further consolidate reporting around implementation of these windows to understand trends across key themes over time.

Various instruments and donor-supported initiatives have been launched to support investment in challenging markets. Through its upstream work, IFC seeks to enhance the flow of private capital in challenging markets by using analytical work to identify promising sectors. Furthermore, risk mitigation instruments and advisory services are used to support investment in challenging contexts, alongside its complement of other financial instruments. In particular, IFC has implemented new instruments to support investment in FCS, including: (i) the IDA-PSW; (ii) the IFC Conflict Affected States in Africa (CASA) initiative, a multi-donor platform that enabled IFC to expand staffing and investment pipeline support in FCS; and (iii) the IDA and FCS Risk Envelope, which provides an allocation for high-impact projects that would otherwise fall beyond IFC's risk tolerance, among several others. Following the end of CASA in 2021, IFC launched the Africa Fragility Initiative in 2022, a USD 74 million, five-year programme established with the support of Ireland and Norway.

IFC is a leader in identifying innovative models for mobilisation. Core mobilisation increased strongly at the beginning of the review period but has remained relatively stable since then. From FY17 to FY18, core mobilisation overall increased from USD 7.5 to 11.7 billion, but has remained between USD 10.2 and 10.8 billion since then. The biggest source of mobilisation is syndication (44.7%), which saw a big increase initially from FY17 to FY18 (from USD 3.5 to 7.7 billion) but has since then declined to USD 3.5 billion. Some areas have seen strong growth over the review period. Mobilisation from PPP advisory services almost tripled over the review period (from USD 1.2 to 3.5 billion) and IFC Initiatives such as the Global Liquidity Trade Programme (GLTP), Critical Commodities Finance Programme (CCFP) and Global Warehouse Finance Programme almost doubled from USD 1.2 to 2.0 billion. These have been complemented by the introduction of new instruments such as debt security mobilisation (USD 1.1 billion in FY22).

Through its participation and leadership of several joint-DFI platforms, IFC has made an important contribution to standard-setting and harmonisation of key practices among DFIs and private investors. IFC has actively led or participated in co-ordinating common DFI principles and approaches in several areas, including blended finance as well as mobilisation of private finance, additionality and measurement of development outcomes (e.g., Harmonised Indicators for Private Sector Operations). IFC has also led the development of good practice principles for impact investors beyond DFIs, including the Joint Impact Indicators (JII) and "Invest for Impact" Operating Principles for Impact Management. IFC's E&S Performance Standards – via the Equator Principles – have become the de-facto environmental and social standard in emerging markets.

IFC has clear policies in place to support Access to Information and a track record of transparency. IFC has a clear Access to Information Policy (AIP) and is a member of the International Aid Transparency Initiative (IATI). The AIP enshrines a presumption in favour of disclosure and sets out a clear process to request information, timelines and requirements to file an appeal. IFC has a demonstrated track record of responding to access to information requests within the timeframe specified in its policy. IFC reports to IATI on a quarterly basis; however, it received a rating of "fair" from PublishWhatYouFund (PWYF) on their "Aid Transparency Index," in a process that was contested by IFC due to the inapplicability of many metrics to private sector operations. IFC subsequently worked with PWYF to establish the DFI Transparency Index, which assesses criteria that are more relevant to DFIs, including those working with the private sector. IFC ranked first among non-sovereign DFI lenders in the inaugural 2023 DFI Transparency Index.

Whereas clear standards are in place for stakeholder engagement and accountability, these could be strengthened to reflect IFC's leadership in emerging markets. IFC's Performance Standards require effective community engagement through disclosure of performance information and consultation with local communities commensurate with a project's risks and adverse impacts. These have not been updated since 2012. In the meantime, IFC has issued several voluntary guidance notes and implementation resources covering themes such as emerging markets and use of security forces; however, these are not mandatory by virtue of being guidelines rather than being reflected in the Performance Standards. There is room to strengthen implementation of good practices by incorporating them directly into the Performance Standards.

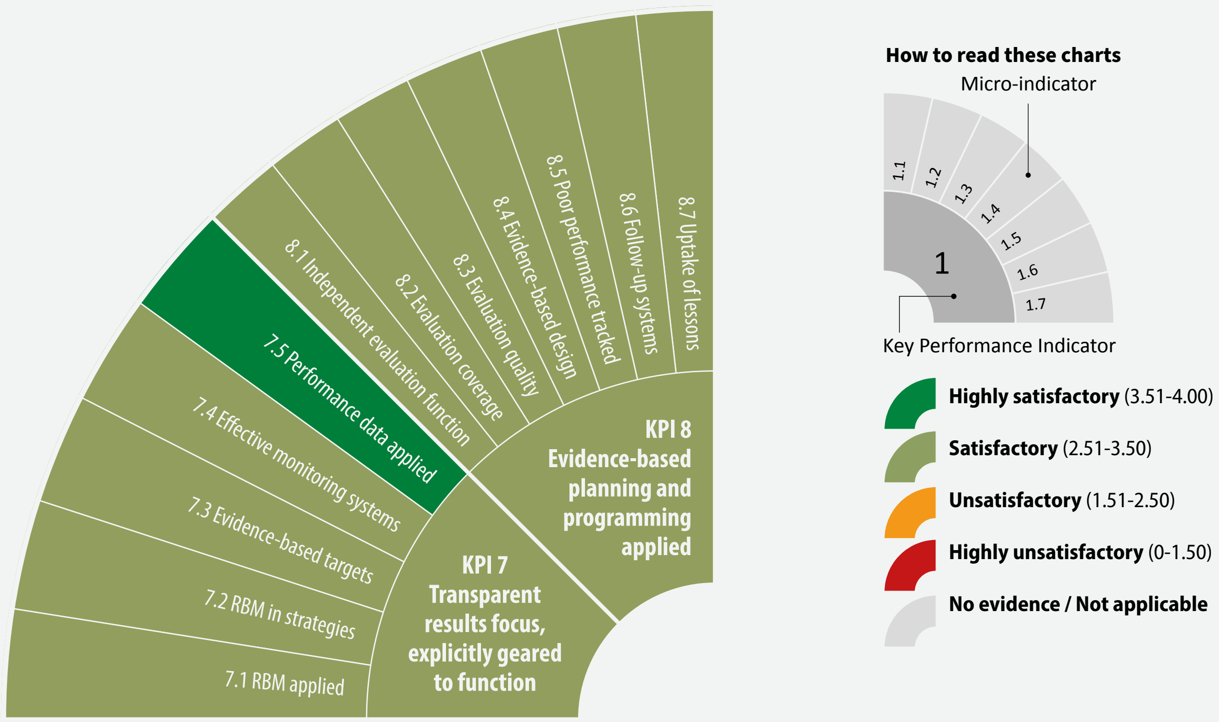
IFC has sought to ensure projects implement effective grievance mechanisms to provide prompt remediation to stakeholders who feel they have been harmed by a client's actions; however, there continue to be important

compliance gaps. The CAO's Third Monitoring Report (2017) of recommendations from its Financial Sector Audit found that fewer than 10% of clients had an adequate grievance mechanism in place and that IFC had not reviewed clients' approach to receiving complaints and nor had it established mitigation measures. Similar findings were reiterated in the External Review of IFC/MIGA E&S Accountability, noting insufficient capacity and attention paid to monitoring client grievance mechanisms and lack of appropriate tools and systems in place to register and respond to complaints made directly (CAO, 2020). A 2022 external expert review found that there remain inconsistencies between client grievance mechanisms and external communication mechanisms with the IFC's Performance Standards. Underlying drivers include gaps in IFC client capacity and willingness as well as gaps in IFC E&S Specialist capacity and approaches for monitoring and verification. In accordance with CAO's recommendations, IFC is implementing training for clients and IFC staff on ensuring meaningful and effective engagement and management of stakeholder grievances throughout the investment cycle. Training has been integrated into the core curriculum for IFC staff toward creating a more active engagement culture. Approximately 90 staff have been trained since January 2020 and training will next be rolled-out in regions.

Knowledge is a strategic asset for IFC, particularly in the context of IFC 3.0. IFC generates knowledge and demonstrates thought leadership through three sources: (i) insights and data generated from operational activities, transferring IFC proprietary information to clients, co-investors and other partners; (ii) original research generated by IFC and WB staff (e.g., client and enterprise surveys); and (iii) research and knowledge from IFC's convening activities. The creation of the Economics and Private Sector Development Vice-Presidency has helped expand the scope of analytical knowledge pieces to support private sector development. IFC's thought leadership in the areas of gender-smart investing, generating investment in fragile and conflict-affected areas and the private sector impacts of COVID-19 are known and appreciated by partners. However, there is scope to better demonstrate how knowledge contributes to investment and development outcomes, including through better monitoring of delivery for AS that often underpin IFC's delivery of non-financial additionality for which IFC lacks a systematic approach.

PERFORMANCE MANAGEMENT

FIGURE 11: **IFC'S PERFORMANCE MANAGEMENT – KEY FINDINGS**



IFC 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 as 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 monitoring and evaluation (M&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 Special Operations (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.

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 internal processes are geared toward promoting the quality of 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.

The performance management performance area assesses the existence of systems geared to managing and accounting for development and humanitarian results and the use of performance information, including evaluation, and lesson-learning. This area is assessed through the two KPIs specified below:

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

Satisfactory	3.23

The WBG has a clear organisational commitment to results-based management (RBM), including through its corporate scorecard. The corporate scorecard is complemented by individual scorecards for each WBG institution, including IFC. It provides an overarching view of results and performance to facilitate reporting to the Executive Board and is also available publicly. The scorecard is broken down into three tiers. The first tier reflects the overall development context and progress toward the WBG's twin goals over time. The second tier reflects the results delivered through WBG operations, reflecting their contribution to a changing development context. The final tier reflects key targets for operational and organisational effectiveness.

IFC's corporate scorecard has been revised over the course of the assessment period to align with changing organisational and strategic priorities. In 2018, the scorecard was adjusted to reflect the Capital Increase Package (CIP) commitments and IFC 3.0. Performance information from the scorecard has historically been presented in IFC's Annual Report, but more recently has been provided in the Strategy and Business Outlook documents (SBO) and Budget Papers (BPs), both publicly available documents. Performance against scorecard targets has been consistent in these documents for the vast majority of indicators save for M2D, which was not reported publicly for 2021 and 2022. Internally, management updates the Board on performance against scorecard targets on a quarterly basis.

The achievement of scorecard results is cascaded to Vice-Presidential and departmental units and has traditionally been linked to departmental awards focusing on development impact, financial sustainability and effective client delivery. More recently, staff rewards have been linked to other strategic priorities such as upstream work, creating markets, delivery in IDA/FCS countries and collaboration across the WBG.

Some scorecard indicators have changed over time and there is room to better explain the rationale for such changes when they occur. Some stakeholders noted that specific scorecard targets set at the outset of IFC 3.0 were found to no longer be realistic, particularly in the context of the pandemic. Changes to scorecard indicators and targets are consulted with the Executive Board, who approve these changes. Stakeholder views around this process were mixed; whereas some noted that these changes are always implemented in consultation with the Board, others noted some specific decisions that they felt were taken without sufficient consultation. Furthermore, there is room to enhance transparency in how changes in scorecard indicators and targets and drivers of underperformance are communicated and explained in public documents. Recently, there have been good examples where IFC has sought to explain drivers of underperformance and rationale for adjustments of targets, such as the BCR.

IFC and WBG corporate scorecard indicators tend to be input-driven and ex-ante rather than reflecting ex-post contribution to development results (IFC 2017b, IFC 2018b, IFC2018c, IFC 2019b, IFC 2019c, IFC 2020b, IFC 2020c, IFC 2021b, IFC 2021c, IFC 2022c, IFC 2022d)**.** For example, IFC's climate indicators reflect the proportion of long-term finance commitments. Expected GHG reductions linked to projects are currently reported in Annual Reports and contribute to the reporting of WBG Tier 2 indicators. IFC has also 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. AIMM scores as reported in the corporate scorecard refer to expected results ex-ante. More recently, the AIMM indicator was changed to reflect the "Portfolio AIMM" score for active investment operations; however, this is also not ex-post reporting. As AIMM matures, it is providing a potential means of reporting on outcome achievement for cross-cutting themes in the context of specific projects through ongoing monitoring.

Organisation-wide strategies are clearly linked to the corporate scorecard, but do not necessarily contain results frameworks that reflect development results. Key WBG strategies that also cover IFC include the Gender Strategy (2016-2023), the Climate Change Action Plan (2016-2020 and 2021-2025) and the Strategy for Fragility, Conflict and Violence (FCV; 2020-2025) (WBG 2016a, WBG 2021b, WBG 2020). Rather than identifying targets linked to development results, these strategies tend to identify process-related actions and targets, including the development of e-learning courses, hosting of sector-specific training, development of screening tools and scaling up of related advisory funds. Targets are input, output, and reach-driven and reflect IFC's CIP commitments, including: (i) increasing the commitments to financial intermediaries targeting women; (ii) increasing the share of women directors nominated to IFC Board seats; and (iii) increasing climate finance to constitute 35% of IFC's LTF commitments on average between 2021 and 2025 (WBG 2018).

A RBM approach is applied throughout IFC's operations, including AS; however, there are opportunities to strengthen RBM at the country level. CPFs, the World Bank's main instrument for identifying and delivering development results at the country level, are required to include results frameworks, indicators, baselines and targets. These include High-Level Outcomes and progress indicators aligned to country development priorities and needs. However, the CPF as currently designed is not optimal for supporting WBG collaboration in identifying and acting on opportunities to promote private sector-led development. Several stakeholders reported that CPFs are too detached from IFC's business model which engages specific corporate clients rather than borrower governments. Important challenges have been observed for integrating private sector-related outcomes (e.g., the if-then conditions of IFC's country strategies) into CPF results frameworks. In particular, advisory services are often not reflected despite their importance for opening markets and promoting investment. As noted above, IFC Country Strategies play an important role in supporting IFC's planning and strategic priorities in this regard.

A supervision system is in place to monitor investments with respect to performance and risk and address underperformance. Projects are supervised quarterly to assess performance in terms of ES Risk, Credit Risk, portfolio AIMM scores as well as monitoring of compliance with legal covenants. These dimensions are tracked closely with management through quarterly portfolio reviews. Additional information on performance, including against the corporate scorecard and conversion of upstream work to committed investments, is reported to management and the Executive Board through comprehensive Quarterly Operations Reports. As noted in KPI 5, IFC's Special Operations (CSO) works with NPLs to limit or recover IFC's exposure according to well-defined and systematic processes to identify and address instances of underperformance. The Special Operations team implements a mandatory and systematic process for harvesting, curating and disseminating lessons from these operations to management and the Board to help inform future investments.

New tools such as AIMM provide an important basis for RBM at the project level, supporting linkages to sector strategies and corporate results frameworks. AIMM is fully integrated throughout the investment cycle. It is first carried out during project appraisal to articulate expected outcomes at the project and market level. "Intensity" scores reflect the scale of a project's contribution to fill an identified market gap. AIMM allows for development outcome considerations to be weighed systematically against other strategic considerations in the approval of investments, including volume, financial return, risk and strategic themes such as gender and climate. This is demonstrated in Quarterly Operations Reports through analysis of IFC's portfolio approach. IFC started to report on AIMM scores in FY19 with corporate targets set for an average AIMM score of 50 across the portfolio. In FY20, IFC started reporting portfolio AIMM scores for active investment operations. These "portfolio AIMM" scores have been slightly lower than ex-ante AIMM scores, but in line with or above IFC's internal targets of 45 and on an upward trajectory, increasing from 45 in FY21 to 47 in FY22.

AIMM also supports the quality of monitoring and evaluation through sector frameworks that reflect critical results indicators. AIMM scores are guided by over 30 sector frameworks, including mandatory sector indicators which help ensure that investments demonstrate a clear and logical causal chain between activities and outcomes. These frameworks include over 200 "gap indicators" and 600 "intensity indicators." Gap indicators identify the size of the development gap addressed by the project whereas intensity indicators reflect expected contribution of the project toward closing them. Potential project outcomes (e.g., stakeholder effects, economy-wide effects and environmental and social effects) and market outcomes (e.g., competitiveness, resilience, integration, inclusiveness and sustainability) are considered. Every development claim must be supported by an outcome indicator with a baseline measure, target and timeline, further promoting M&E quality. AIMM scores also reflect the assessed likelihood that the project will achieve its expected outcomes. Over the assessment period, over 1400 IFC investment projects have been assessed through AIMM.

Integration of AIMM into monitoring and supervision further contributes to accountability for development results. Projects enter the AIMM portfolio for supervision purposes one fiscal year after commitment, starting with the assigned ex-ante score. Monitoring begins one year after a project's operations commence (known as early operating maturity). Data collection is conducted by portfolio officers (POs) and the Development Impact Measurement Department (CDI). POs update project indicators on an annual basis and identify an updated AIMM score. Market effects take longer to materialise than project outcomes and are therefore assessed on a biennial basis. A random sample of these assessments are validated and a full review of project outcomes is performed when projects reach their target year, followed by an assessment of market outcomes two years later. AIMM scores are reviewed for process compliance and data quality by external consultants. Management tracks the evolution of portfolio AIMM scores over time against corporate benchmarks.

However, the relationship between ex-ante AIMM scores and ex-post results is not yet clear. AIMM scores reflect several different considerations and are not directly comparable across sectors and countries. The assessment yields a single numerical score across numerous considerations, which makes it difficult to understand key differences between projects in terms of how they contribute to expected project and market outcomes and cross-cutting themes. Furthermore, the fact that few projects rated by AIMM have reached full maturity makes it difficult to determine the relationship between ex-ante AIMM scores and ex-post development outcomes. AIMM scores were integrated into Quarterly Performance Risk Reports in 2023. However, it remains unclear how AIMM monitoring feeds into management decision-making at the project level when development outcomes are off-track. AIMM's potential to contribute to feedback loops is being explored, including through the experience of development impact staff working on project teams and through harvesting of lessons.

Expanded Project Supervision Reports (XPSR) assess the extent to which investments have contributed to results ex-post. XPSRs are designed to reflect the Evaluation Cooperation Group (ECG) Good Practice Standards (GPS) for Private Sector Evaluation. They present a comparison of ex-ante projections for key financial and operating indicators with actual results. They also provide ratings for emerging development results, IFC's investment performance, IFC's operational effectiveness and additionality. The IEG independently validates ratings from each XPSR. However, the scoring criteria for XPSRs and AIMM are not fully aligned, creating potential challenges in supporting operational feedback loops. IFC also has a well-developed system to evaluate AS projects ex-ante, which has comparatively stronger management buy-in versus the XPSR. IFC Management has been working to address this issue through an IEG/IFC working group to help enhance the coherence of these tools and their contribution to organisational learning.

There are large numbers of staff working across IFC to support different aspects of RBM. These include the Development Impact Measurement Department (CDI), comprising 75 full-time staff (16 in country offices) and 12 ETCs. CDI supports the implementation of AIMM throughout the investment cycle and contributes to monitoring of the IFC Development Goals. Environmental and Social monitoring is divided between an ES Policy and Risk Department and an ESG Advice and Solutions Department, which each address different aspects of IFC's ES Management System. Most ES specialists (approximately 200) are embedded in operations, including 30 gender specialists. Responsibilities for GHG accounting have been moved from the ESG department to the Climate Business Department (CBD; approximately 60 staff at HQ and a network of 20 staff in country offices). Finally, the Corporate Support VPU is responsible for managing IFC's Corporate Scorecard. Stakeholders across these groups reported feeling stretched in addressing their workload, with some noting possible inefficiencies arising from fragmented responsibilities for RBM.

Corporate performance information has triggered management reviews to better understand performance issues and support course correction. Over the assessment period, SBOs and BPs have typically included data from the corporate scorecard to support planning and priority-setting. There have also been critical moments where management has taken stock in cases where performance has failed to reach targets, contributing to the introduction of changes to address performance issues. At the outset of the assessment period, weakening development results and work quality ratings for IS and AS triggered a series of joint IEG-IFC Management Deep-Dive reviews to identify drivers of these changes (IEG 2021a). As discussed in previous sections, the results of these reviews have been taken up by IFC management to inform important organisational reforms, including the revision of the ADM to strengthen accountability for quality and the delivery of operations.

IFC has contributed to strategic partnerships to support relevant and coherent monitoring in response to system-wide development challenges. As noted in KPI 6, IFC has taken up a leadership role in supporting joint reporting by private sector-oriented Development Finance Institutions (DFIs) in priority areas such as mobilisation and blended finance. They have also contributed to the identification of joint standards and methodologies. Important examples include: (i) the DFI working group reports on mobilisation of private finance (MDB 2018, MDB 2019, MDB 2023); (ii) the DFI working group on blended concessional finance for private sector projects; and (iii) IFC has also been engaged in as developing and refining Harmonised Indicators for Private Sector Operations (HIPSO) among DFIs and Joint Impact Indicators with a broader group of Impact Investors.

KPI 8: Evidence-based planning and programming applied.

Satisfactory	3.06

The Independent Evaluation Group (IEG) is operationally, financially and structurally independent from WBG management, including IFC. IEG has a clear mandate from the Executive Board, established in 2019, which identifies IEG as responsible for "assessing the relevance, efficacy and efficiency of WBG operational policies, programmes and activities, and their contribution to development effectiveness" (WBG 2018b). Evaluations are submitted directly to the Executive Board Committee on Development Effectiveness (CODE), assuring operational independence. IEGs work programmes and budgets are also prepared independently from the WBG's institutional budgets. In the course of conducting evaluations, IEG has unrestricted access to the staff and records of the WBG and may consult with borrower governments, beneficiaries, co-financers as well as operational managers, peer reviewers and other stakeholders as required.

The Director General Evaluation (DGE) reports directly to the Executive Board, which approves IEG's mandate, its terms of reference, and the annual work programme. The WBG Executive Board is directly responsible for selecting the DGE according to a transparent procedure. The Board appoints the DGE for a non-renewable six-year term. Furthermore, the selection process and performance review of the DGE are managed under the oversight of the CODE with the advice of the Vice President Human Resources. Only the Board may remove the DGE for cause. The DGE is responsible for managing the personnel and budget of IEG under the oversight of CODE and in consultation with the Vice President Human Resources. In this space, the DGE makes decisions independent from the Management of each WBG institution, reporting directly to the Executive Board.

IEG has a dual mandate to promote both accountability and learning across the WBG, including IFC, through a range of evaluation activities. The Evaluation Principles define three main evaluation modalities: (i) independent evaluation; (ii) mandatory self-evaluation; and (iii) demand-driven evaluation (WBG 2019). Each year, IEG selects a random sample covering 40% of IFC investment operations that reach early operating maturity. IFC carries out Expanded Supervision Reports (XPSRs) for these projects under the direction of management. IEG validates each of these reports, which are sometimes complemented by Project Evaluation Reports undertaken by IEG directly. IFC also implements an ex-post evaluation system for IFC's AS through Project Completion Reports (PCRs) covering the majority of the AS portfolio. AS projects are assessed with respect to the criteria of development effectiveness, IFC role and contribution and IFC work quality. These reports are also subject to IEG sampling and validation.

IEG prepares its workplan independently but in consultation with Management and the Executive Board to identify and prioritise its engagements. In doing so, they make strategic choices that strike a balance between resources and WBG organisational needs. Accountability-driven validation at the project-level is balanced by Country Partnership Evaluations (CPEs) as well as thematic and high-level evaluations that reflect institutional strategic priorities and emerging development challenges. There are no specific coverage requirements of IFC operations aside from validations of all completed XPSRs. However, a gap analysis conducted by IEG in designing its FY21 work programme indicated that IEG had covered 72% of IFC's IS portfolio and 55% of its AS portfolio in its thematic evaluations, with 44% of IS and 23% of AS projects covered by more than two evaluations (IEG 2022d).

The 2019 Evaluation Principles complement IEG's mandate and set out core principles to promote quality (WBG 2019). The principles are aligned with international good practice for evaluation and draw upon international norms and standards such as 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 (UNEG) and the American Evaluation Association (AEA). Evaluations are expected to: (i) have a collaborative approach, including use of local expertise; (ii) meet international norms and standards, including a rigorous methodological design; and (iii) have a clear and efficient quality assurance process, including clear documentation of methods and design and peer review at different stages of the process.

IEG's processes are geared toward promoting the quality of its evaluations. Following a 2015 external review of IEG, a Methods Advisory Function was established to help strengthen the methodological rigour and quality of IEG reports (WBG 2015). In addition to providing guidance to IEG staff in the context of specific reports, the MAF implemented meta-evaluations of IEG reports from 2015-2019, released in 2022 (IEG 2021c). The meta-evaluation notes that the methods applied by IEG have generally been appropriate, demonstrating a logical fit between methods, data sources and evaluation questions with recommendations that flow logically from findings. A multi-layered approach is applied to ensure the quality of evaluations involving the in-depth review of intermediate and final evaluation products by internal and external reviewers. Furthermore, IEG implements an increasingly consultative approach with management to help promote the relevance and usefulness of evaluations as well as the uptake of lessons. Board members, WBG staff and external stakeholders consider that IEG reports provide an objective analysis based on relevant information and show convincing links between evidence and conclusions.

All IEG reports include publicly accessible recommendations and a management response. Before IEG submit a report to CODE, IFC Management elaborates a Draft Management Response within 90 days 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 final report along with the management response. In this context, the 2022 External Review of IEG noted that there have been some controversial evaluations in which management responses have been defensive, focusing on rejecting critical conclusions rather than taking up positive findings and lessons (WBG 2022d). However, the External Review and Management's Response also note that such situations can often be avoided by better consultation and engagement with IFC upstream to identify a clear and agreed methodology.

Over the assessment period, the Management Action Record System (MAR) has been changed to a more collaborative and outcome-driven approach. Management was formerly required to produce an action plan to address each recommendation for which IEG monitors implementation. Management now submits annual self-assessments that are strategically focused on the intended outcome of recommendations and are then validated by IEG. Recommendations are now more limited in number and more outcome oriented. Self-assessment reports and IEG's validation are presented to the Board annually. Whereas the 2022 External Review notes that the collaboration between IEG and Management has increased, it notes that the shift to a more outcome-oriented recommendations and monitoring has sometimes made it more challenging to assess concrete progress achieved in implementing each recommendation (WBG 2022d).

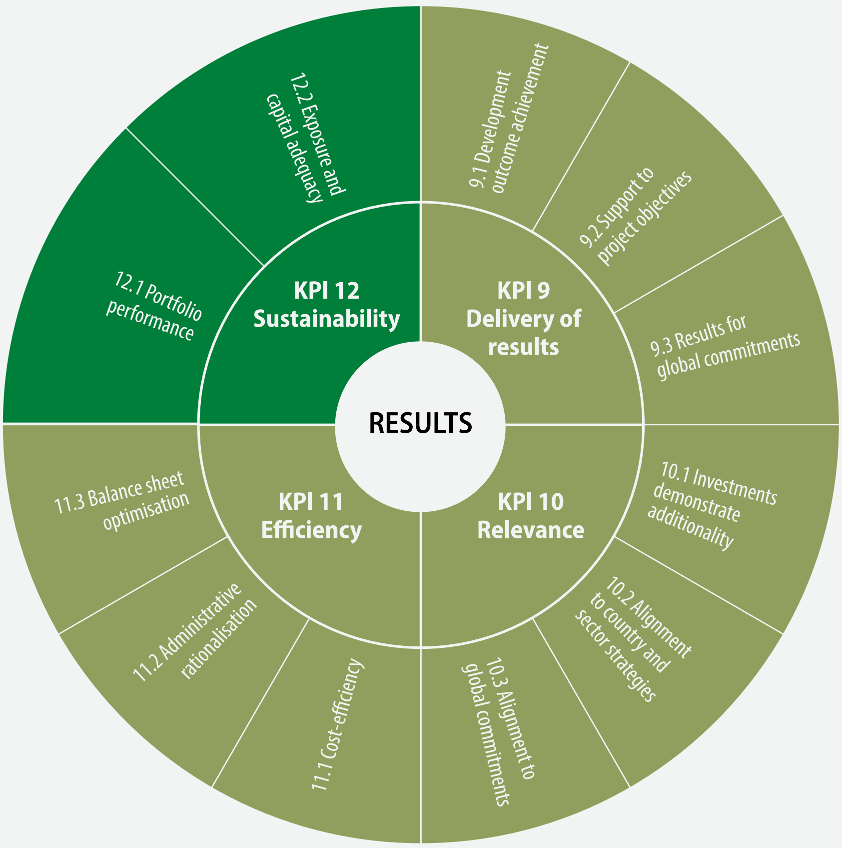
IEG has been increasingly active in disseminating lessons from evaluations through different means and also in collaboration with WBG Management. All evaluations and approach papers are available publicly. IEG actively deployed new and innovative means of disseminating its findings and transmitting conclusions and key messages. Channels used to share lessons from evaluations include sector highlights, Brown Bag Lunches, weekly blogs, podcasts and learning engagements tailored to IFC staff. IEG's Annual Report on Results and Performance of the World Bank Group summarises lessons and recommendations emerging from a synthesis of XSPRs for IS and PCRs for AS. These efforts complement other efforts on the part of IFC management to capture and disseminate operational lessons, including through a mandatory process for projects implemented by IFC's CSO, described above.

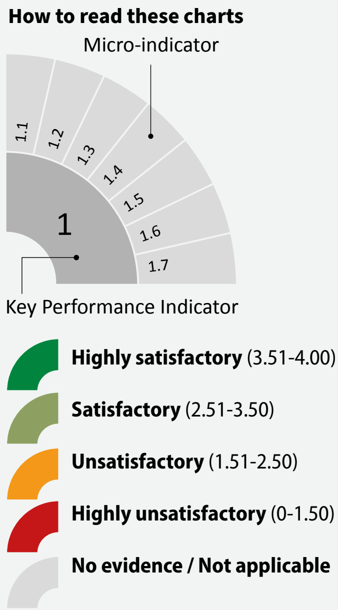
Nevertheless, there remain important challenges for promoting uptake of lessons from evaluation across IFC. Although CPFs and new operations are required to identify how lessons from previous operations have been taken up to improve design, neither IFC nor management formally track this information nor make it publicly available. A similar challenge is observed for individual operations despite that fact that Implementation Plans and Supervision Reports both identify new lessons and the uptake of existing lessons from past projects. The External Review of IEG noted that collaboration in sharing lessons from evaluation could be strengthened (WBG 2022d). IEG maintains a lessons database drawing upon XPSRs, with synthesised lessons derived through artificial intelligence; however, IFC staff note that these lessons are often provided too late during the investment cycle to be useful.

IEG reports publicly on its activities and implements periodic external reviews to continually scrutinise and strengthen the function. IEG reports annually on its activities and on management uptake of evaluation recommendations. IEG produces an annual report that identifies the delivery of different types of evaluations, evaluation lessons and capacity development activities (IEG 2022e). However, this reporting does not always provide full transparency on the implementation of its work programme. IEG also subjects itself to periodic external reviews, with the most recent released in 2022 (WBG 2022d). The most recent external review emphasised the need to strengthen the oversight role of CODE, increase the visibility and clarity of resource allocation for learning and improve collaboration between IEG, IFC and MIGA to strengthen the evaluation culture in these institutions.

RESULTS

FIGURE 10: **RESULTS – KEY FINDINGS**





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 2018 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 CY16-CY18 to 53% positive in CY19-CY21.[1] 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-FY17 to 60% in FY2019-FY21. However, the performance of FCS projects has declined throughout the assessment period. IFC has consistently demonstrated strong performance for client satisfaction in line with corporate targets.

IFC work quality for front-end support and supervision has fluctuated over the assessment period, but work quality is on a positive trajectory. Performance for front-end support for IS increased from 51% in 2018 to 60% in 2021. Similarly, front-end work quality for advisory services increased from 48% in 2018 to 57% in 2021. There is a positive relationship between the quality of supervision and administration and a successful development outcome.

IFC's additionality and "role and contribution" for IS 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, which are often delivered 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.

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 over much of the assessment period 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.

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, which have shown 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-19 crisis.

1 IEG reports validated scores for XPSRs from IS and PCRs from AS based on a sample on a three-year rolling basis in their Annual Results and Performance (RAP) Reports. IS projects are reported on a rolling three-calendar year basis, whereas AS projects are reported on a rolling three-fiscal year.

The **results performance** area explores to what extent relevant, inclusive, and sustainable contributions to humanitarian and development results are achieved in an efficient manner. This area is assessed through the four KPIs specified below:

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

Satisfactory	2.82

The overall performance of IS projects has improved over the latter half of the assessment period (IEG 2022a)**.** At the outset of the assessment period, IEG validated ratings for development outcomes had been relatively low, sitting at 41% for CY2016-18. Over the course of the assessment period, development outcome ratings have improved to 53% for CY2019-21. Sub-indicators for performance have each followed a similar trend, with recent improvement in development outcomes driven by improved business success and contribution to economic development. However, the proportion of IS with high development outcomes ratings in FCS has declined from 60% in CY15-CY17 to 20% for 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 (IEG 2022a).

AS projects have followed a similar trend, improving from 38% rated "positive" for FY2015-FY17 to 60% in FY2019-FY21 (IEG 2022a)**.** For AS projects, overall development effectiveness is assessed in terms of: (i) strategic relevance, reflecting the appropriateness of the project at initiation and completion (i.e., was the AS project, as designed, the right instrument?); (ii) effectiveness with respect to project outputs, outcomes and impacts; and (iii) efficiency with respect to the cost-benefit ratio. Similar to IS projects, there is room for further improvement in development outcome ratings for AS to reach historical institutional targets (65% rated high). AS projects play an important role in promoting the achievement of development outcomes for IS projects; IS projects that were associated with AS tend to have both better development outcomes and additionality.

IFC has demonstrated consistently high levels of client satisfaction for both IS and AS. IFC has an internal corporate target of 85% for client satisfaction. This benchmark was achieved for FY17-19 for both IS and AS. However, this performance dropped to 79% in FY20 for IS in the wake of the pandemic. IFC management committed to conduct a deep dive into this issue, which was reported to have been driven in part by the pandemic and delays in delivering support to clients. Client satisfaction for IFC's AS consistently exceeded 90% between FY17-20. The client survey was restructured during FY21 and was relaunched in FY22, now reporting combined client satisfaction results for IS and AS at 91%. Whereas this new composite indicator cannot be compared to performance from previous years, IFC has consistently met its internal targets in this area.

IFC work quality for front-end support and supervision has fluctuated over the assessment period, but work quality is on a positive trajectory (IEG 2022a)**.** Work quality reflects IFC's performance in providing front-end support to investments with respect to screening, appraisal and structuring as well as for supervision to support the achievement of project objectives. Performance of IS front-end support increased from 51% rated positive in 2018 to 60% in 2021. Similarly, the proportion of projects rated positive for AS front-end work quality increased from 48% in 2018 to 57% in 2021. IFC's supervision performance for IS has fluctuated between 70% and 80%, with 70% rated positive in 2021. Internal Environmental Risk Ratings (ESRR) have improved continuously over the assessment period, with 88% of projects rated "satisfactory" or higher in FY22. There is a positive relationship between the quality of supervision and administration and a successful development outcome.

Work quality has been found to be an important driver of development results achievement, with deep-dive reviews implemented to address a previous decline in work quality and development outcomes. Projects with weak work quality ratings also tend to have weak development outcome ratings. A 2017 joint IFC-IEG study on IFC's work quality on investment projects identified key issues around staffing, incentives, diffused accountability and organisational culture, including IFC's focus on volume targets over development results (IEG 2021a). These findings contributed to changes in the ADM to help strengthen accountability for quality in FY18. A similar deep dive on AS projects identified challenges around weak accountability and incentives for AS as well as a lack of a strategic focus on results and M&E, strategic oversight and supervision. Recent improvements in development outcome and work quality scores are promising, yet the full impact of institutional changes may not yet be reflected given the time lag between the approval and operational maturity of projects.

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.

Satisfactory	3.08

Good progress has been made in ensuring the alignment of investments to cross-cutting themes. IFC has made good progress in mainstreaming cross-cutting themes throughout its portfolio for IS and AS projects. IFC gender flagging increased from 35% in FY17 to 57% in FY22 for AS and from 5% in FY17 to 33% in FY23 for IS, demonstrating an increase in the proportion of projects that address gender gaps as part of their results chain. Furthermore, IFC has consistently scaled up its LTF commitments addressing climate change. IFC has also clearly scaled up its investment volumes in FCS, with LTF and STF investments more than doubling between FY17 and FY19 (from USD 1.2 billion to USD 2.8 billion and USD 2.7 billion to USD 6.3 billion respectively). IFC has not met corporate targets for the proportion of new projects rated "very strong" for market creation potential; however, this was partly driven by an explicit focus on STF and market preservation during the COVID-19 pandemic. Nevertheless, this indicator rebounded to approach pre-pandemic levels in FY22, reaching 11%.

Additionality ratings for IFC investments have followed a similar trend to development outcomes, improving throughout the latter half of the assessment period. IFC defines additionality as the unique contribution it brings to a private investment project that is typically not offered by commercial sources of finance. Financial additionality is based on the features of the financial package offered by IFC, including the financing structure and mobilisation. IEG RAPs confirm that nearly all IFC projects demonstrate financial additionality. Non-financial additionality relates to the deployment of knowledge and standards, such as mitigation of non-commercial risks and provision of expertise for environmental and social or industry standards that may contribute to development impact. IEG ratings for the additionality of IFC's investment projects have increased over the assessment period from 54% FY18 to 61% in FY21 (IEG 2023).

There are weaknesses in systems for capturing, tracking and monitoring the delivery of non-financial additionality. One reason for weaker ratings has been uneven delivery of anticipated non-financial additionality, including through AS. IEG recently found that among investments in MIC and UMICs, non-financial additionality expected to be delivered through AS was only delivered for 57% of projects where it was anticipated (IEG 2023a). Although there are robust procedures in place to demonstrate both financial and non-financial additionality at appraisal, monitoring of non-financial additionality is not being done systematically throughout the investment lifecycle. Since FY11, it has been expected that additionality and related milestones and indicators are documented and tracked for all IS throughout implementation; however, a foreseen additionality database is not yet operational. A 2020 ECG report identifies a lack of management attention to the delivery, monitoring and reporting of additionality as a key constraint (ECG 2020). Such a database is now expected to be operational in 2024. Measurability of delivery of non-financial additionality is an important challenge; by comparison, financial additionality is realised at a rate of 87% once funds are disbursed as agreed.

For AS projects, IEG rates IFC's "Role and Contribution," which has improved steadily over the latter half of the assessment period. Role and contribution encompass a slighter broader concept than additionality, reflecting the extent to which IFC added value or made a special contribution to the client. A rating of satisfactory is defined as "IFC's role and contribution being in line with IFC's operating principles" (i.e., IFC had additionality). IFC's role and contribution for AS increased from 66% positive in FY15 to 80% positive in FY21 (IEG 2023). Ratings for role and contribution have been found to be strongly linked to the achievement of development outcomes.

Both IS and AS projects reflect key areas of support identified in country strategies and country development priorities. A review of approved IS and AS projects for four countries in MOPAN's Country sample suggested alignment between approved operations and priority objectives identified in IFC Country Strategy documents, with a broader review of 11 additional countries suggesting alignment between approved operations and the objectives of IFC 3.0 more generally. This echoes previous IEG reports, including the 2017 evaluation of IFC's client engagement approach, which found that sampled operations were all intended to address high priority needs of host countries' development strategy and were relevant to IFC's own strategic priorities (IEG 2017b).

AIMM has provided a credible system for ensuring that investment projects demonstrate potential development impact ex-ante and promoting alignment with relevant sector strategies. AIMM is applied to all IS and was referred to by the Evaluation Cooperation Group (ECG) as a comprehensive impact system (IEG 2017b). AIMM's more than 30 sector frameworks provide an analytical framework for each projects' expected outcomes and promote alignment with relevant sector strategies. Ex-ante AIMM scores are externally assured and fully integrated into investment decision-making. It is hard to determine trends in average AIMM scores across the portfolio over the assessment period as the scoring was rebased in FY19 from a scale of 160 to 100. Furthermore, IFC's AIMM sector frameworks and indicators are reduced to a single AIMM score, contributing to difficulties discerning trends and making comparisons across sectors and timeframes. IFC's FY22 Annual Report indicates that most projects receive a rating of at least "good" (61%) or excellent (11%) (IFC 2022b).

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.

Satisfactory	3.00

IFC's investments are implemented in accordance with internal policies. 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 requirements, including with respect to: (i) the management of legal risk; (ii) internal control over financial reporting; (iii) integrity due diligence; (iv) management of credit risk (GIA 2020, GIA 2021, GIA 2022). However, IFC could strengthen its overall management of policies and procedures through more systematic processes and clear roles and responsibilities to review and update them.

Despite efforts to improve the efficiency of internal decision-making, IFC has struggled to improve the timeliness of its investment processing. M2D has consistently exceeded IFC's original organisational target of 150 days, reaching 309 days for FY22, with updated targets of 229 days for FY23-25 (IFC, 2023a). However, there has been improvement relative to FY15 when M2D was over 320 days. IFC management now considers that the original 'stretch' target of 150 days was likely unrealistic and new changes were introduced to the ADM in FY23 to enhance responsiveness to clients. IFC is also trying to identify and apply lessons from its Fast-Track COVID-19 Facility to speed up investment decision-making going forward. In FY21, median mandate to first disbursement stood at 139 days for FTCF projects, against 313 days for non-FTCF (IEG 2023).

IFC has not met initial targets for key budget efficiency indicators. IFC's BCR has exceeded the target ratio of below 85%, reaching 98% in FY21 and 93% in FY22. The institutional target was revised to 95% or below for FY22, with a projected return to 85% or below in the following three years. This issue has been caused by multiple factors, including: (i) resources required to implement IFC 3.0; (ii) time lag for conversion of the upstream pipeline; (iii) slower than expected growth of the debt portfolio; (iv) the global macroeconomic environment and (v) lower than anticipated loan and fee income. However, IFC stakeholders note that reductions in administrative budget during COVID-19 to preserve the BCR would have had undesirable trade-offs in terms of IFC's ability to respond to the crisis and preserve markets.

IFC has remained a leader in mobilisation among DFIs despite a challenging market context. Over the course of the assessment period, Joint MDB reports on mobilisation demonstrate that IFC represented 27.5% of total mobilisation in LICs and MICs between 2016 and 2021, across 8 MDBs and 15 DFIs, demonstrating IFC's leadership in this area. There remains considerable ground to cover to reach IFC's long-term goal of increasing core mobilisation to USD 23 billion by FY30, requiring average annual growth of 9% compared to current levels, versus 1.2% over the review period. However, the forward-looking trajectory for mobilisation is positive, with IFC reporting that it mobilised USD 15 billion from external partners in FY23 (IFC, 2023b).

KPI 12: Results are sustainable.

Highly satisfactory	4.00

IFC closely monitors and reports on portfolio performance and has demonstrated strong risk management processes over the assessment period. IFC defines financial sustainability as generating and maintaining sufficient financial resources while conducting its business and managing risk in a manner consistent with standards implied by a triple-A rating. Ratings agencies consider IFC's risk management processes in this regard "robust" and "best in class." (Moody's 2022 and S&P 2022). Key indicators for portfolio performance are NPLs and reserves against them, return on average assets (ROAA) and average capital (ROAC). These are complemented by risk-adjusted return on capital (RAROC) and equity portfolio returns against the MSCI, both reported in IFC's Corporate Scorecard. These are complemented by the BCR.

Performance against key financial sustainability metrics have been uneven over the assessment period, owing in part to a difficult investment climate (IFC 2017b, IFC 2018b, IFC2018c, IFC 2019b, IFC 2019c, IFC 2020b, IFC 2020c, IFC 2021b, IFC 2021c, IFC 2022c, IFC 2022d). NPLs have improved significantly over the review period, from 6.5% at the end of FY16 to 3.9% at the end of FY22, with a brief uptick in FY20 due to the impact of the pandemic. For the RAROC, performance has been close to the corporate target of 8% in FY18 (7.5%) and FY19 (8%) but has declined to 3.2% in FY21 before rebounding to 4.8% in FY22. IFC has set a target of equity portfolio returns being greater or equal to the MSCI. Although this target was achieved for FY15, 16 and 18, it turned negative in FY19, reaching -6.9% in FY21, but subsequently rebounded to 26.2% in FY22.

IFC monitors and reports on concentration limits and capital usage in its annual financial statements and has demonstrated strong performance over the assessment period (IFC 2017a, IFC 2018a, IFC 2019a, IFC 2020a, IFC 2021a, IFC 2022b)**.** Projects are approved with reference to a number of operational and prudential limits approved by the Corporate Risk Committee, including considerations for: (i) IFC's total exposure to a country; (ii) total exposure to a single client or client group; (iii) Individual Lending Limits for individual projects; (iv) a country's total medium and long-term external debt; and (v) total equity and quasi-equity exposure. Moody's notes that IFC's portfolio is highly diversified, reflecting its large size and global reach, with portfolio concentration metrics that are superior to most of its peers (Moody's 2022). In FY22, the sum of IFC's 10 largest exposures accounted for only 9% of the total portfolio and its largest exposure accounted for only 1.4% of its total portfolio. Furthermore, IFC's CUR has remained well within the established ratio of below 88% over the assessment period.

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ABOUT THE ASSESSMENT

THE ASSESSMENT APPROACH

The approach to MOPAN assessments has evolved over time to adjust to the needs of the multilateral system. The MOPAN 3.1 methodology, applied in this assessment, is the latest iteration. In the context of this assessment, an adapted version of the framework has been applied that better reflects the context of MDBs and private sector operations (discussed below).

Starting in 2020, all assessments have used the MOPAN 3.1 methodology,[1] which was endorsed by MOPAN members in early 2020. The framework draws on the international standards and reference points, as described in the MOPAN Methodology Manual. The approach differs from the previous 3.0 approach (used in assessments since 2015) in the following ways:

- Integration of the 2030 Sustainable Development Agenda into the framework.
- Two new micro-indicators (MIs) for the prevention and response to SEA/SH.
- The incorporation of elements measuring key dimensions of reform of the United Nations Development System (UNDS Reform; not applied to this assessment).
- A reshaped relationship management performance area, with updated and clearer key performance indicators (KPIs) 5 and 6, which better reflect coherence, and which focus on how partnerships operate on the ground in support of partner countries (KPI 5), and how global partnerships are managed to leverage the organisation's resources (KPI 6).
- A refocused and streamlined results component.
- A change to how ratings (and their corresponding colours) are applied, based on scores defined for indicators. Compared to the previous cycles conducted under MOPAN 3.0, the threshold for a rating has been raised to reflect the increasing demands for organisational performance in the multilateral system. The underlying scores and approach to scoring are unaffected. This approach was already implemented in MOPAN 3.0* (2019 cycle).

MOPAN conducted Annual Surveys from 2003 to 2008 and used a methodology titled the MOPAN Common Approach during 2009-14. The MOPAN 3.0 Approach was first adopted for 2015-16 cycle of assessments.

In 2019, MOPAN 3.0 was relabelled as MOPAN 3.0* to acknowledge a change in how ratings (and their corresponding colours) were aligned with the scores defined for indicators. Compared to previous cycles conducted under MOPAN 3.0, the threshold for ratings was raised to reflect increasing demands for organisational performance in the multilateral system. The underlying scores and approach to scoring remained unaffected.

In applying the MOPAN Framework, COVID-19 is also be considered from three perspectives:

- how the organisation has leveraged its internal processes to respond to COVID-19 in an agile and flexible way,
- the extent to which risk management frameworks contributed to an MO's preparedness to respond to the crisis, and
- how COVID-19 has been reflected in the organisation's strategies, operations, and results targets.

Table 10 lists the performance areas and indicators used in MOPAN 3.1.

1 MOPAN 3.1 Methodology Manual, 2020 Assessment Cycle, http://www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf

TABLE 10. **PERFORMANCE AREAS AND KPIs**

Performance area	Key performance indicator (KPI)
Strategic management	**KPI 1:** Organisational architecture and financial framework enable mandate implementation and achievement of expected results
	KPI 2: Structures and mechanisms support the implementation of global frameworks for cross-cutting issues at all levels in line with the 2030 Sustainable Development Agenda principles
Operational management	**KPI 3:** Operating model and human and financial resources support relevance and agility
	KPI 4: Organisational systems are cost- and value-conscious and enable financial transparency and accountability
Relationship management	**KPI 5:** Operational planning and intervention design tools support relevance and agility in partnerships
	KPI 6: Working in coherent partnerships directed at leveraging and catalysing the use of resources
Performance management	**KPI 7:** Strong and transparent results focus, explicitly geared towards function
	KPI 8: Evidence-based planning and programming applied
Results	**KPI 9:** Development and humanitarian objectives are achieved, and results contribute to normative and cross-cutting goals
	KPI 10: Interventions are relevant to the needs and priorities of partner countries and beneficiaries, as the organisation works towards results in areas within its mandate
	KPI 11: Results are implemented efficiently
	KPI 12: Results are sustainable

Source: MOPAN 3.1 Methodology Manual, 2020 Assessment Cycle,
http://www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf

APPLYING MOPAN 3.1 TO IFC

Interpretations and adaptations to the methodology

This assessment has used the MOPAN 3.1 methodology, but the KPIs have been interpreted to be meaningful given IFC's specific mandate and its business model in implementing private sector operations.

This is the first time the MOPAN Framework has been applied to a private-sector oriented International Financial Institution (IFI) in full, with a prior assessment of IDB Invest conducted for a limited range of KPIs. Due to fundamental differences in the structure and operational context of IFIs relative to UN-entities, a decision was taken to adapt the Framework to help ensure that the assessment is relevant to IFC's context and useful to both MOPAN members and IFC in informing decision-making and dialogue. This process was conducted to support planned assessments of both IFC and the European Bank for Reconstruction and Development (EBRD).

The adaptation process was led by the MOPAN Secretariat in collaboration with the Focal Points and Management from IFC and EBRD, including a robust consultation process. This process was supported by the former Chief Evaluator of the EBRD who provided technical advice. Input was provided by IFC and EBRD, representatives from Germany and the United Kingdom as institutional leads (ILs) for the assessments, as well as Centennial Group International.

TABLE 11. **KEY AREAS OF ADAPTATION FOR THE MOPAN ASSESSMENT OF IFC**

KPI	Key Adaptations
KPI 1: *Organisational architecture and financial framework enable mandate implementation and achievement of expected results.*	Changes reflect differences in the financial framework of IFIs, including a focus on investment, with financial inflows from earnings and other sources of capital. Rather than addressing earmarked funding, emphasis is placed on the use of concessional resources and own account funds to support blended concessional finance and advisory services.
KPI 2: *Structures and mechanisms support the implementation of global frameworks for cross-cutting issues at all levels in line with the 2030 Sustainable Development Agenda principles.*	Focus on "market creation," particularly in LICs and FCS as a strategic cross-cutting theme. Focus on fragility, conflict and violence in line with the thematic priorities of the WBG rather than human rights and Leave No One Behind.
KPI 3: *The operating model and human and financial resources support relevance and agility.*	Changes reflect the fact that private sector operations are linked to the availability of bankable investments in target markets rather than specific programmatic resource allocations. IFIs have a different fiduciary structure to UN-entities such that ultimate responsibility for approving most investments is with the Executive Board. Prior to being presented to the Board, investments are scrutinised from different perspectives to promote quality, manage risk and avoid conflicts of interest.
KPI 4: *Organisational systems are cost- and value-conscious and enable transparency and accountability.*	Changes reflect differences in the selection of investments based on considerations of additionality and potential development (and financial) outcomes based on an ex ante assessment of expected results.
KPI 5: *Partnerships with clients and host governments support alignment to the strategic vision, including impact goals, financial sustainability, and risk management.*	Changes reflect the fact that IFIs work directly mostly with private clients rather than host governments. Adaptations are aligned to the "investment cycle" underlying the origination, appraisal, approval, monitoring and closure of private sector operations, including processes for managing risk, ensuring compliance with ESG standards and building client management capacity.
KPI 6: *Partnerships with host governments and other actors support the creation of an enabling environment.*	Changes reflect differences in how IFIs work with different partners in the development of country strategies and throughout the investment cycle, including the host government, other IFIs, private sector entities and funds to operationalise the corporate vision and strategy.

The adaptation of the Framework was pursued with the purpose of maintaining the underlying purpose and principles of the original KPIs as much as possible, while adapting individual micro-indicators and elements to reflect the operational context of MDBs working with private sector operations and agreed standards and principles among Development Finance Institutions for private sector development. The primary changes to the Framework reflect important differences between the operational context of UN-entities versus IFIs implementing private sector operations.

The detailed framework as it is applied to IFC can be found as Annex B. Table 11, below, provides an overview of adaptations made to the MOPAN Framework to reflect the context of the IFC.

KPI	Key Adaptations
KPI 7: *The focus on results is strong, transparent and explicitly geared towards function.*	Changes reflect how IFIs address poor performance and create feedback loops through regular monitoring and supervision, evaluation and structured appraisal of investments.
KPI 8: *The organisation applies evidence-based planning and programming.*	No changes
KPI 9: *Impact and financial sustainability are achieved, and results contribute to cross-cutting goals.*	Changes reflect differences in how the performance of private sector operations is assessed in line with the Evaluation Cooperation Group Good Practice Standards for the Evaluation of Private Sector Operations, with a focus on profitability, contribution to sustainable economic development, management of Environmental, Social and Governance (ESG) risks and contribution to private sector development.
KPI 10: *Extent to which investments demonstrate alignment with needs with respect to key principles of private sector development:* *(i) financial and non-financial additionality;* *(ii) alignment with country and sector strategies; and* *(iii) cross-cutting themes.*	In assessing the relevance of the portfolio, the assessment will focus on "additionality" in line with the MDBs' Harmonised Framework for Additionality. Relevance is additionally being explored in terms of contribution of the portfolio to strategic cross-cutting themes (KPI 2).
KPI 11: *Efficiency of investment activities in terms of:* *(i) implementation of timelines for investments;* *(ii) mobilisation; and* *(iii) rationalisation of administrative expenses.*	Beyond implementation of investments in line with expected timelines, KPI 11 considers the extent to which IFC is using capital efficiently to delivery its strategic vision, including through the management of administrative expenditure and the mobilisation of capital from other investors.
KPI 12: *Organisational sustainability in terms of financial risk and capitalisation.*	In the context of private sector operations, the financial sustainability of the organisation is particularly important, reflecting the performance of the portfolio and the likelihood that investments will continue to contribute to development results. Key issues considered include overall portfolio performance, exposure management and capital adequacy.

Lines of Evidence

The assessment relied on three main lines of evidence in relation to each KPI, micro-indicator (MI) and their constituent elements: (i) document review; (ii) staff interviews; and (iii) partner surveys. The assessment team collected and reviewed a significant body of evidence.

- A document review: This comprised publicly available and non-public documents published between 2017-2022 (and some in 2023) as well as guidelines and policies that are "current and in force". These included key strategies and policies, budgets and financial statements, annual reports and corporate scorecards, evaluations, and COVID-19 specific documents.

- An online survey: Partners surveyed fall into the following categories.

  - Shareholders: Board of Executive Directors and Advisors
  - Donors: Government contributors to trust funds and non-government contributors to trust funds
  - Host Governments: Host government representatives who receive advisory services and are consulted for the purposes of country partnership framework (CPF) development.
  - Peer Organisations: Multilateral organisations who co-ordinate with IFC for a range of joint purposes (e.g., IFI Working Groups) and MOs operating in-country who may be consulted in the context of investment / partnership framework preparation or who act as co-financers for investments.
  - Co-financing partners: Private companies, financial institutions, funds and investors and funds who provide capital for investments through syndicated lending and other co-financing mechanisms that provide access to global investment opportunities and who have participated in investments for projects in specific countries.
  - Civil Society: International and country-level NGOs, think tanks, and academic institutions that have worked with IFC regarding analytical and advisory work, private sector development, and advocacy for project-affected peoples, among other interactions.
  - Implementing Partners: International and country-level partners who have implemented capacity development and advisory / analytical work on IFC's behalf.

  A total of 145 partners responded to the survey, a 21.5% response rate. The survey was conducted 24 February-12 April 2023 (for more details, see Part II: Technical and Statistical Annex).

- Interviews and consultations: These were undertaken virtually and in-person between 8 February-20 April 2023 as follows:

  - Headquarter interviews with 59 senior managers and staff.
  - Country level interviews with 16 mid- to senior-level country office staff.
  - Consultations with IFC's Executive Director Advisors.

  Discussions were held with the institutional lead of the IFC assessment as part of the analytical process. These served to gather insights on current priorities for the organisation from the perspective of MOPAN member countries.

  General information about the sequence and details related to these evidence lines, the overall analysis, and scoring and rating process as applied to the IFC can be found in the MOPAN 3.1 methodology.

METHODOLOGY FOR SCORING AND RATING

The approach to scoring and rating under MOPAN 3.1 is described in the 2020 Methodology Manual[2], which can be found MOPAN's website. The MOPAN website also presents additional information about how the MOPAN framework was adapted for private sector operations.

Each of the 12 KPIs contain several micro-indicators (MIs), which vary in number. The KPI rating is calculated by taking the average of the ratings of its constituent MIs.

Scoring of KPIs 1-8

The scoring of KPIs 1-8 is based upon an aggregated scoring the MIs. Each MI contains a several elements, which vary in number, that represent international good practice. Taking the average of the constituent scores per element, a score is then calculated per MI. The same logic is pursued at aggregation to the KPI level, to ensure a consistent approach. Taking the average of the constituent scores per MI, an aggregated score is then calculated per KPI.

Scoring of KPIs 9-12

The scoring of KPIs 9-12 is based upon a meta-analysis of evaluations and performance information, rated at the MI level and aggregated to the KPI level. KPIs 9-12 assess results achieved as assessed in evaluations and annual performance reporting from the organisations. Other sources of information are reviewed and included as needed.

Rating scales

Whenever scores are aggregated, rating scales are used to translate scores into ratings that summarise the assessment across KPIs and MIs. The rating scale used under MOPAN 3.1 is shown below.

- **Highly satisfactory** (3.51-4.00)
- **Satisfactory** (2.51-3.50)
- **Unsatisfactory** (1.51-2.50)
- **Highly unsatisfactory** (0.00-1.50)
- **No evidence / Not applicable**

- **High evidence confidence**
- **Medium evidence confidence**
- **Low evidence confidence**

A score of "N/E" means "no evidence" and indicates that the assessment team could not find any evidence but was not confident of whether or not there was evidence to be found. The team assumes that "no evidence" does not necessarily mean that the element is not present (which would result in a zero score). Elements rated N/E are excluded from any calculation of the average. A significant number of N/E scores in a report indicates an assessment limitation (see the Limitations section at the beginning of the report).

A note indicating "N/A" means that an element is considered to be "not applicable". This usually owes to the organisation's specific nature.

2 MOPAN 3.1 Methodology Manual, 2020 Assessment Cycle, http://www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf

ASSESSMENT PROCESS

The Assessment consisted of four phases: Inception, Evidence Collection, Analysis, and Reporting. The inception phase included adapting the framework to the context of a private-sector oriented institution and the specificities of the IFC, as well as preliminary evidence collection. This was conducted from 12 July 2021-15 January 2023, with most of this phase devoted to adapting the framework. Evidence collection, conducted from 5 October 2022-20 April 2023, included a document review, interviews, and the launch of the MOPAN Partner Survey. The analysis phase, conducted from 3 April 2023-5 June 2023, consisted of the triangulation of the evidence collected in the Evidence collection phase and documentation of this evidence. The Reporting stage began on 05 June 2023.

TABLE 12. **IFC'S ASSESSMENT PROCESS**

Assessment Phase	Inception (12 July 2021- 15 January 2023)	Evidence Collection (5 October 2022- 20 April 2023)	Analysis (3 April 2023- 5 June 2023)	Reporting (5 June 2023- November 2023)
Key Activities	Adaptation of indicator framework Preparation of evidence collection survey partners, key informants and key documents for review	Key informant Interviews Document Review Partner Survey	Triangulation Learning Sessions Evidence documentation	Report Drafting Quality Assurance Presentations
Key Activities Timeline	Draft Inception Report: 12 July 2021-19 November 2021 Final Inception Report: 15 January 2023	Key informant interviews: 8 February-20 April 2023 Document Review: 5 October 2022- 24 February 2023 Partner survey launch & closure: 24 February-12 April 2023	Draft Summary Analysis Table (Annex A): 1 August 2023 Preliminary Findings: 16 June 2023	Draft Assessment report: 9 October 2023 Final Assessment report: November 2023

LIMITATIONS

The assessment applies a standardised framework that provides a picture of the organisation's performance. Thus, any general strengths and limitations of the MOPAN 3.1 methodology, which are laid out in MOPAN 3.1, Section 8, apply to this assessment, too.

In addition, there are a few limitations specific to this assessment of the IFC, and subsequently the confidence that can be ascribed to the findings:

- Due to IFC's nature as a private sector-oriented institution, a significant number of key documents are not publicly disclosed. Several key documents were only made available to the assessment team after the evidence collection phase, consequently the review time for these was limited. Some information could not be obtained.

- As part of the WBG, IFC shares overall strategies with the rest of the WBG and works closely with IDA/IBRD and MIGA in the course of its operations. Furthermore, these organisations share many corporate policies and functions and work closely together in the implementation of specific instruments (e.g., the IDA Private Sector Window). Consequently, it is sometimes difficult to disentangle IFC's specific contribution.

- During the review period, IFC underwent several reorganisations, which have yet to show results. Hence, this assessment was unable to assess the effect of some of these reorganisations.

REFERENCES

MOPAN (2020a), MOPAN 3.1 Methodology Manual, 2020 Assessment Cycle, http://www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf

ANNEX

IFC PERFORMANCE OVERVIEW CURRENT RATING

Strategic management

KPI 1: Organisational architecture and financial framework

- 1.1 Long-term vision
- 1.2 Organisational architecture
- 1.3 Financial framework
- 1.4 Financial frameworks

KPI 2: Cross-cutting issues

- 2.1 Gender equality
- 2.2 Climate change
- 2.3 Fragility, conflict and violence
- 2.4 Market creation

Operational management

KPI 3: Operating framework

- 3.1 Resources aligned to functions
- 3.2 Capital adequacy and financial sustainability
- 3.3 Delegation of authority
- 3.4 Performance-based human resources

KPI 4: Cost- and value-conscious systems

- 4.1 Transparent decision-making
- 4.2 Disbursement as agreed
- 4.3 Results-based budgeting
- 4.4 Audit
- 4.5 Internal control
- 4.6 Integrity
- 4.7 SEA prevention / response
- 4.8 SH prevention / response

Relationship management

KPI 5: Partnerships support, strategic vision, and impact

- 5.1 Alignment to country priorities
- 5.2 Context analysis
- 5.3 Client capacity
- 5.4 Risk management
- 5.5 Cross-cutting issues in intervention design
- 5.6 Supervision and monitoring
- 5.7 Conditions precedent and client feedback

KPI 6: Work in coherent partnerships

- 6.1 Enabling environment for investment
- 6.2 Comparative advantage
- 6.3 Promoting market creation and good practices
- 6.4 Mobilisation and access to finance
- 6.5 Coordination and harmonisation
- 6.6 Transparency
- 6.7 Accountability to beneficiaries
- 6.8 Joint assessments – NOT APPLICABLE
- 6.9 Knowledge

Performance management

KPI 7: Results management

- 7.1 RBM applied
- 7.2 RBM in strategies
- 7.3 Evidence-based target
- 7.4 Effective monitoring systems
- 7.5 Performance data applied

KPI 8: Evidence-based planning and programming applied

- 8.1 Independent valuation function
- 8.2 Evaluation coverage
- 8.3 Evaluation quality
- 8.4 Evidence-based design
- 8.5 Poor performance tracked
- 8.6 Evaluation function
- 8.7 Uptake of lessons

Results

KPI 9: Delivery of results

- 9.1 Development outcome achievement
- 9.2 Support to project objectives
- 9.3 Results for global commitments

KPI 10: Relevance

- 10.1 Investments to demonstrate additionality
- 10.2 Alignment to country and sector strategies
- 10.3 Alignment to global commitments

KPI 11: Efficient delivery

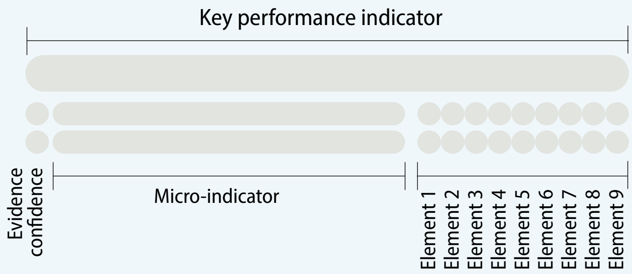
- 11.1 Cost efficiency
- 11.2 Timeliness

KPI 12: Sustainability

- 12.1 Building resilience
- 12.1 Building resilience

High confidence
Medium confidence
Little to no confidence

Highly satisfactory (3.51-4.00)
Satisfactory (2.51-3.50)
Unsatisfactory (1.51-2.50)
Highly unsatisfactory (0.00-1.50)
No evidence/Not applicable



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