Early-Stage Evaluation of International Finance Corporation Platforms Approach

Addressing Development Challenges at Scale

An Independent Evaluation

IEG
Independent Evaluation Group

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Abbreviations

AIMM	Anticipated Impact Measurement and Monitoring
AOB	absence of objection
BOP	Base of the Pyramid
CRR	credit risk rating
E&S	environmental and social
EBRD	European Bank for Reconstruction and Development
FCS	fragile and conflict-affected situations
FTCF	Fast-Track COVID-19 Facility
GHP	Global Health Platform
IDA	International Development Association
IFC	International Finance Corporation
ISC	IFC Startup Catalyst
MSMEs	micro, small, and medium enterprises
PSW	Private Sector Window
SLGP	Small Loan Guarantee Program

All dollar amounts are US dollars unless otherwise indicated.

Acknowledgments

This evaluation was prepared by an Independent Evaluation Group team led by Melvin P. Vaz (senior evaluation officer, Finance, Private Sector, Infrastructure, and Sustainable Development) and Andrew H. W. Stone (lead evaluation officer), under the guidance of Marialisa Motta (former manager), Christopher Nelson (manager), and Carmen Nonay (director), with overall guidance from Sabine Bernabè (Director General, Evaluation). Jozef Vaessen (adviser) also provided critical guidance during the preparation and formulation of findings for this evaluation.

The evaluation team and contributors included Ridwan Bolaji Bello and Sanittawan Nikki Tan (evaluation analysts) and Nana Sika Ababio and Stephen C. Miller (consultants), who contributed to multiple inputs, including desk reviews, portfolio analysis, efficiency analysis, benchmarking, statistical analysis, methods appendix, and literature review. Orlando Vaca Rodriquez (consultant) contributed to project coding. Konstantin Panov (senior consultant) authored desk-based studies of four platforms. Rama Seth (senior consultant) authored the International Finance Corporation Startup Catalyst platform case study. Maria Elena Pinglo (senior evaluation officer), advised by Jenny Gold (senior evaluation officer), authored the Global Health Platform case study. Arun Kumar Sharma (senior consultant) authored the Base of the Pyramid platform case study. Stefan Triendl (consultant) authored the deep dive on risk. William C. Haworth (senior consultant) authored the deep dive on oversight and reporting. Andrew Kilpatrick (senior consultant) authored the deep dive on the European Bank for Reconstruction and Development frameworks. Angel Saz-Carranza (professor of strategy and public policy director at the Esade Center for Global Economy and Geopolitics) led and advised on the forward look scenario exercise. Emelda Cudilla (consultant) and Romayne Pereira (program assistant) provided invaluable administrative support. Valuable methodological guidance was received from the Independent Evaluation Group Methods Advisory team led by Estelle Raimondo (methods head) with Santiago Alejandro Tellez Canas (consultant) and Santiago Ramirez Rodriguez (evaluation analyst).

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Overview

The International Finance Corporation (IFC), in its December 2022 paper, "IFC's Approach to Platforms: An Update—Applying Lessons to Enhance Platform Clarity," defines platforms as thematic interventions at a regional, global, or sectoral level designed to address a specific development challenge (IFC 2022a). Until 2022, there was no generally accepted definition of platforms. IFC's June 2022 Approach Paper, *IFC Platforms: Enabling New Business Development at Scale,* defines programs and platforms as a "grouping of projects of a similar nature or development objective under a single envelope, processed in an expedited fashion" (IFC 2022b, 1). The December 2022 paper redefined platforms and distinguished platforms from IFC programs and products explicitly (IFC 2022a). Since then, the paper's definition of platforms has been widely accepted.

Evaluation Purpose and Questions

The main purpose of this early-stage evaluation is to assess IFC's platforms approach as established in IFC's June 2022 paper to the Board and clarified by IFC to the Board in December 2022. The evaluation answers three questions:

- Evaluation question 1: To what extent do the IFC platforms achieve their objectives, specifically (i) responding to crisis at scale, (ii) engaging with small clients and new clients, (iii) engaging with clients in International Development Association (IDA) countries and fragile and conflict-affected situations (FCS), and (iv) engaging in new sectors?
- Evaluation question 2: To what extent does IFC's platforms approach meet Board and client expectations on oversight, reporting, and efficiency gains while balancing risks and benefits to enhance trust over time?
- Evaluation question 3: What guidance does the early experience of platforms provide IFC in shaping the future use of platforms?

The evaluation covers seven platforms that IFC introduced between FY 2017 and FY22. On the basis of the request from the Board, projects approved in FY23 under the seven platforms were also included in the scope of the evaluation. The Independent Evaluation Group conducted an in-depth assessment of three platforms through case studies and a broader assessment of the other four platforms. To answer the evaluation questions, we triangulated findings from different methods: case studies, portfolio review and analysis, interviews with key stakeholders and staff, benchmarking case study platforms, a synthesis of lessons from the European Bank for Reconstruction and Development with a comparable instrument, and a forward look exercise based on focus groups.

We assessed the seven platforms against the four objectives as specified in evaluation question 1. Given the early-stage nature of this evaluation, we examined available evidence on the platforms as an approach rather than focusing on the development outcomes of individual IFC platforms. Because the Independent Evaluation Group had evaluated only one platform project at the time of this evaluation, we could not assess outcomes or compare them with what IFC achieved outside of platforms. In addition, the fact that the base of experience in this evaluation is both limited and diverse among the seven in-scope platforms limits the generalizability of findings in some cases.

There is no fully articulated and shared perspective on how IFC platforms are intended to work. On the basis of official documents and interviews, we reconstructed a program logic that hypothesizes how IFC platforms are expected to work and achieve the four objectives elaborated in evaluation question 1. Within this program logic, efficiencies realized by the platforms through streamlined and standardized internal processes, expedited project processing, and pooling of risks combined with blended finance would allow IFC to respond to a crisis at scale and respond to specific development challenges at greater scale, including by engaging with small and new clients, with clients in IDA countries and FCS, and with clients in new sectors. Systematic reporting and monitoring by IFC and periodic self-evaluations and independent evaluations would enhance trust between the Board and IFC management and facilitate oversight and learning. As IFC applies expedited processing and engages with higher-risk clients and markets, platforms would manage risk by employing due diligence processes and the support of blended finance to pool and mitigate risk in more challenging markets.

We used the program logic to analyze and explain the evidence collected in this evaluation. Overall, the IFC platforms achieved the objectives they set out to achieve, with some exceptions. However, the importance of the platforms approach in enabling the achievement of these objectives varied across platforms.

Findings

Platforms provided a key vehicle for IFC to increase the scale of its crisis response during the height of the pandemic, yet the responses of some of the platforms took time to materialize. The generalization of this finding is limited to the three platforms—the Fast-Track COVID-19 Facility, the Global Health Platform (GHP), and Base of the Pyramid (BOP)—that were approved during the pandemic to address urgent needs. Seventy-five percent of IFC's COVID-19 pandemic response was channeled through those three platforms. Using expedited processes, the Fast-Track COVID-19 Facility and BOP channeled substantial working capital to firms and financial intermediaries at a time when liquidity ran short. Yet, in terms of the pandemic response, there was a period of time that elapsed after IFC's initial COVID-19 response and before the launch of the BOP platform or the approval of GHP's first investment. Despite urgent need, GHP's first investment was approved one year after the pandemic in March 2021 because of the complexity of its projects, which required longer preparation time. Moreover, the BOP platform, which focused on providing financing to financial intermediaries serving micro, small, and medium enterprises (MSMEs), was launched 11 months after the COVID-19 outbreak in February 2021. IFC took time to assess the emerging needs of MSME financial intermediaries.

IFC used specific platforms to extend its reach to a higher percentage of small clients (as reflected by small transactions) and new clients. For the purposes of this evaluation, "small clients" refers to clients with small IFC commitment amounts that IFC would not otherwise invest without a specific platform intended to serve such clients. We used this proxy because client size is not always recorded. Project documents often do not report the size of IFC clients (for example, company asset size, sales, number of employees, and so on). "New clients" refers specifically to partner institutions in which IFC has not made an earlier investment since July 2000. The three platforms that aimed to reach small clients—BOP, IFC Startup Catalyst (ISC), and Private Equity Co-Investment—succeeded in doing so by making smaller investments. Platform features that facilitated small transactions included efficiency from project processing and pooling of risk using blended finance. These allowed platforms to finance transactions that IFC would not have financed through stand-alone projects. Among these three platforms, BOP stood out for having a much higher proportion of new clients than its benchmark. In addition, BOP was able to engage with new and risky clients by taking advantage of pooling of risk using IDA Private Sector Window blended finance support.

Platforms enabled IFC to engage with clients in IDA countries and FCS, except for the Côte d'Ivoire Housing Program, because it did not meet its objectives. By design, four platforms were expected to engage substantially in IDA countries and FCS: the Small Loan Guarantee Program, BOP, the Fast-Track COVID-19 Facility, and the Côte d'Ivoire Housing Program. Both the Small Loan Guarantee Program and the BOP platforms have IDA Private Sector Window blended finance support integrated into their design, which enables them to pool risk and mitigate it efficiently with blended finance, thus allowing them to engage substantially with riskier IDA and FCS clients. IFC's engagement with IDA and FCS clients was facilitated by a portfolio focus (for example, BOP's focus on financial intermediaries targeting MSMEs), efficiency gains (for example, delegation of authority—the transfer of project approval authority from the Board to IFC management—for existing clients and streamlined internal processes such as short-form Board papers for approvals for new clients under BOP), and risk mitigation (for example, pooling of risk through blended finance support in both BOP and the Small Loan Guarantee Program). The Côte d'Ivoire Housing Program was dropped. Contributing factors include that the platform misjudged the market, focusing narrowly on one country, one sector, and two participating banks. Of the two banks selected to support affordable housing in Côte d'Ivoire, one withdrew (citing negative price movements in the market), and the other failed to restore compliance with IFC's environmental and social standards.

In addition, IFC informed the Independent Evaluation Group that the Ivorian government did not deliver on the development of basic infrastructure (water, electricity, and so on) to service the housing under construction, after an unsuccessful World Bank engagement, making banks hesitant to continue their engagement.

Platforms aiming to reach new sectors did so to some extent; however, the platform approach was not essential to GHP investments. ISC, GHP, and BOP each realized their aim to reach new sectors that IFC did not otherwise reach but to a limited extent. Platforms were able to focus resources and industry knowledge in specific areas. In addition, processing efficiencies (for example, delegation of authority and deal acceptance criteria in ISC) freed up time to serve clients in new sectors. GHP focused attention and resources on reaching new sectors, but interviews suggest that its investments would likely have occurred without the platform approach.

Platforms have demonstrated efficiency in reducing average processing time for projects, with some variation by platform. Key factors in reducing processing time included delegation of authority and standardization and streamlining of processes. Delegation of authority was the most important source of efficiency gains observed in accelerating the crisis response. Use of delegated authority surged during the COVID-19 pandemic, and the resulting time savings were especially evident in the BOP platform. ISC also achieved time savings from delegation of authority, but overall project preparation time was longer because IFC had to provide time-consuming hand-holding to first-time fund managers who were unfamiliar with legal and technical requirements. In addition, the fund managers faced fundraising delays to achieve a minimum viable fund size. The Independent Evaluation Group's case studies indicate that standardizing and streamlining IFC internal processes (for both preparation and approval) under platforms also contributed significantly to time savings. However, IFC's analysis of and reporting on efficiency have been limited to processing time, whereas a full consideration of efficiency would require collecting and analyzing additional data on cost and profitability.

Based on expected loss, an ex ante risk indicator, there is no indication that platform projects covered by this evaluation will increase IFC's portfolio risk.

However, this varies by platform. Expected loss is the amount that IFC is expected to lose from a client's potential default on a loan. To some extent, the lower risk in platforms can be explained by the presence of IDA Private Sector Window blended finance support, which compensates for a small portion of the loss amounts to IFC, thereby reducing risks to IFC's balance sheet. For example, the BOP platform's integrated ability to pool risk and use blended finance efficiently enabled it to take on more risky clients. However, BOP was riskier than its benchmark because of the beneficiaries it targeted (for example, MSMEs). Equity risk for platform and nonplatform projects is similar, but ISC is riskier than its benchmark because of its targeted clients.

Platforms reporting has evolved over time but has not met the expectations of the World Bank Group Board of Executive Directors. Contrary to the Board's expectations at the time of the creation of individual platforms, there is little or no reporting in the Board Operations System and IFC's operations portal on additionality, development impact, environmental and social and integrity risk ratings, credit and equity risk ratings, and risk-adjusted return on capital. Regular reports from IFC management to the Board show commitment volumes with links to project data, platform usage, and share of IFC's own account across IDA countries and FCS, climate, and gender. However, there is little reporting on what the Board expected. In addition, platforms have not consistently established indicators and measurable targets at the platform level in their Board papers as a basis for reporting and oversight.

The forward look exercise found that the Board and IFC agree on using platforms to confront future crises and some development challenges, but their views on delegation and reporting differed. Focus groups involving 20 executive director advisers and IFC senior management yielded the following reflections of views from the participants:

» The Board and IFC management agree that platforms can produce efficiency gains through streamlining and standardization of internal processes. However, on delegated authority, IFC management viewed it favorably, but the Board regarded it as neither inherent to nor necessary for platforms to operate efficiently. The Board saw potential for expanding delegation within clearly defined parameters and with timely reporting of information needed for oversight.

- Both the Board and IFC management see platforms' value in addressing crises by allowing a faster response to clients in urgent need of financing. Both point to the need for dual capacities in future platforms to address short-term needs in crisis and long-term needs in addressing global development challenges and building resilience.

- The Board and IFC management agree that platforms can provide efficient and targeted approaches to reaching clients in IDA countries and FCS, small clients, new clients, and new markets where the average firm and project size is small and therefore does not meet the investment threshold of normal IFC operations.

Recommendations

IFC should extend the approach embodied in its pilot to new platforms that both build on the benefits revealed in the pilot period and enrich and generate new learning on platform performance. Experience to date suggests that platforms can be designed to facilitate small transactions, respond rapidly to crisis, manage risks associated with new clients more efficiently (through pooling of risk and mitigation of risk using blended finance), engage with clients in IDA countries and FCS, and focus on specific global challenges (for example, in health and digital technologies, using lessons from the GHP and ISC platform). In addition, platform design may combine short- and longer-term financial instruments to be prepared for future crises and to address longer-term development needs. A caveat in extending IFC's pilot approach to platforms is that individual platform outcomes are not yet known, and the base of experience in this evaluation is both limited and diverse among the seven in-scope platforms. Given the likely scale-up of platform use to address global challenge priorities, incorporating and supporting learning is vital.

To facilitate oversight of and learning from platforms, IFC and the Board should reach and implement an agreement on the level, content, format, and frequency of reporting on platforms and individual projects within them, rooted in clear results frameworks. The agreement should balance the information the Board uses for oversight—for example, information on development impact, additionality, risk ratings (credit, environmental and social, and integrity due diligence), efficiency, and risk-adjusted return on capital—with what IFC can provide feasibly. Despite progress, a gap remains between information that the Board has stated it wants in discussions on individual platforms and the information IFC reports routinely. IFC systems could be updated to fill this gap at agreed periods. Furthermore, Board oversight and IFC's monitoring and evaluation of platforms should be based on results frameworks (consistent with each platform's program logic) with specific indicators and quantifiable targets agreed to with the Board when individual platforms are approved or extended.

Management Response

Management of the International Finance Corporation (IFC) thanks the Independent Evaluation Group (IEG) for the report, *Early-Stage Evaluation of International Finance Corporation Platforms Approach: Addressing Development Challenges at Scale.* The evaluation assesses the extent to which IFC platforms achieve their objectives and the extent to which IFC platforms approach meets Board and client expectations of oversight, reporting, and efficiency gains (based on platforms introduced between FY 2017 and FY22). The evaluation is timely as management views platforms as an important mechanism to deliver on the aspirations of the World Bank Group Evolution, which requires the institution to significantly scale its operations, financing capacity, and development impact. The evaluation provides insights to assist IFC in shaping the future use of platforms to address crises and global challenges and to reach new and small clients and markets. Management thanks IEG for the continued collaboration.

International Finance Corporation Management Response

Overall

Management is pleased with IEG's positive assessment of the IFC platforms approach. The report validates the role of platforms in enabling IFC to respond to crises at scale, engage efficiently with small and new clients, and extend IFC's reach in International Development Association and fragile and conflict-affected situation markets and to new sectors. The report also recognizes platforms' contribution to efficiency gains through lowered average project processing time enabled by streamlined decision-making and standardized documentation. In addition, the report confirms that platform projects, whether in the debt or equity space, do not increase IFC's portfolio risk.

Management broadly agrees with IEG's assessment of how platforms have achieved their objectives but believes that the evaluation does not sufficiently capture important aspects of success. While the evaluation states that the IFC Startup Catalyst platform and the Private Equity Funds Co-Investment platform played a "moderate role" in the achievement of platform objectives, management believes that the approach played an essential role in facilitating the investment in challenging markets and engaging with small clients and new sectors in the case of IFC Startup Catalyst and achieving scale in fund investments through the Private Equity Funds Co-Investment platform. Private Equity Funds Co-Investment has become a core IFC tool as current co-investments represent more than 20 percent of IFC's annual investments through private equity funds. The platform's streamlined processing has helped enable these initiatives that would otherwise not be economically viable and transactionally efficient size-wise.

Management would like to note important aspects and drivers of performance for IFC's sector-focused platforms. Regarding the Global Health Platform (GHP), management agrees that some of the investments under GHP may have occurred on a stand-alone basis but emphasizes that the performance of the platform is more nuanced. GHP's focus was to enable a strategic sectoral approach that built the foundation for long-term engagement in the health sector to support resilience beyond the crisis period. This involved robust client engagement, including significant upstream business development support and new partnerships. Through GHP's focused and dedicated approach, IFC has engaged donors (for example, Japan and Norway) and international partners (for example, CEPI, the World Health Organization, and Gavi, the Vaccine Alliance), which has been instrumental in increasing IFC's value proposition for clients in this sector.

In regard to the Côte d'Ivoire Housing Program, management believes that key factors undermining its performance were different from those stated in the evaluation. The report refers to IFC excessively narrowing the platform's focus to a single country and sector and misjudging the market. Management would like to emphasize that housing is a very locally driven business, and a regional housing platform may have in some ways multiplied rather than mitigated risks, given the vast differences between regulatory and tax regimes country to country or even within a single country. The Côte d'Ivoire Housing Program had a strong upstream component in its design, and the team worked closely with the World Bank to create enabling housing regulations that would incentivize the participating banks to engage more with the housing market. Implementation was also dependent on the development of basic infrastructure (water, electricity, and so on) to service the housing under construction. This was delayed and affected by the onset of the COVID-19 pandemic, which led to competing priorities for public finance. The missing basic infrastructure made the banks hesitant to continue their engagement. Additionally, compliance with environmental and social standards did not contribute to the cancellation of the platform. The platform had a strong advisory component to ensure environmental and social compliance and capacity building along the value chain.

Recommendations

Management welcomes the report's two recommendations, which endorse IFC's approach to platforms and provide guidance for the future use of platforms. Management appreciates the suggested way forward and notes that IFC is already working toward implementing the recommendations.

Recommendation 1: Management agrees with the recommendation to extend the pilot approach to new platforms building on lessons learned from platform performance. Management is working on an update on the pilot approach, which calls for a rollout of the approach beyond the pilot stage and proposes several modifications to develop it further. The update will be presented to the Board in the third quarter of FY25. These modifications are based on lessons learned throughout the pilot phase and aim to ensure the efficiency and effectiveness of platforms and the approach over the long term. During the pilot period, IFC has made concerted efforts in channeling lessons from previous platforms into the design of new ones and mainstreaming these lessons across IFC's business. For example, IFC leveraged the streamlined project processing approach of the Fast-Track COVID-19 Facility into the expedited processing procedure for existing clients, enabling IFC to process repeat transactions more efficiently and shift efforts into developing relationships with new ones. Successive iterations of different platforms also include lessons learned from the previous ones. Both Base of the Pyramid and Fast-Track COVID-19 Facility Working Capital Solutions allowed IFC to scale funded solutions under the recently launched micro, small, and medium enterprise finance platform. Starting at $400 million and getting to over $4 billion under the micro, small, and medium enterprise finance platform is only possible through successively more advanced iterations of platforms that leverage lessons learned to create synergies across similar borrower profiles across multiple countries.

Recommendation 2: Management agrees that thorough reporting on the implementation and outcomes of the platforms approach is key for accountability. Management would like to note that the scope, quality, and depth of reporting have, over the pilot period, become more robust. While IFC will strive to continue improving its reporting on platforms, this process will be gradual for two main reasons. First, the universe of platform projects is still relatively small with few closed projects, and, as such, caution needs to be exercised when drawing definitive conclusions on matters such as the profitability and development impact of the platforms approach. Nonetheless, IFC will share early results with the Board where feasible. Second, further improvements in technology infrastructure to enable more automated data collection are needed to enable IFC to improve analysis of platform outcomes and leverage this analysis into platform design. In this context, IFC agrees with the evaluation's assertion that there needs to be balance between oversight and reporting to preserve the efficiency gains generated through streamlined processing. IFC is keen to continue the conversation with the Board on how to strike this balance, noting the evolution of the reporting that has already taken place following ongoing discussions with the executive directors and advisors since the initial launch of this pilot phase for platforms. Similarly, it is worth noting that the different platforms have seen an evolution in their own design and reporting on impact and outcome indicators based on lessons from earlier platforms.

Report to the Board from the Committee on Development Effectiveness

The Committee on Development Effectiveness met to discuss the Independent Evaluation Group (IEG) report entitled *Early-Stage Evaluation of International Finance Corporation Platforms Approach: Addressing Development Challenges at Scale* and the draft management response.

The committee welcomed the early-stage evaluation of the International Finance Corporation (IFC) Platforms Approach, which was requested by the Board of Executive Directors in 2022. Members acknowledged that the evaluation did not focus on the relevance or effectiveness of individual IFC platforms or whether these have been achieving their intended outcomes, but rather aimed to assess whether the pilot approach has met Board and client expectations and to identify lessons learned that could be integrated into future processes. IEG reminded the committee that the report had recently been finalized in the context of the Global Challenge Programs, and IEG presented its preliminary findings to the committee and management on an exceptional basis in July 2024. The committee appreciated that the study covered not only the seven platforms introduced between FY17 and FY22 but, based on the Board's request for IEG to expand the scope of the evaluation, included also projects approved in FY23 under these platforms.

Members noted their agreement with the early-stage findings that platforms generally achieved their objectives of scaling up the COVID-19 crisis response, reaching smaller and new clients, engaging in new sectors, and expanding IFC's reach in International Development Association and countries classified as fragile and conflict-affected situtations. They appreciated learning that (i) operational efficiency, (ii) risk pooling and mitigation of risk using blended finance, and (iii) focus on specific development challenges were features that contributed to their success. The committee expressed its support for IEG recommendations, which suggested that IFC extend the approach embodied in its pilot to new platforms and for IFC and the Board to reach and implement an agreement on the level, content, format, and frequency of reporting to facilitate oversight of and learning from platforms. Members emphasized the importance of improving reporting and establishing a robust results framework for IFC platforms. Some suggested that a joint working group be set up to address these topics and ensure that the reporting and results frameworks for platforms meet the needs of the Board. IFC management was generally open to continuing the engagement with the Board in this respect.

The committee welcomed IFC management's agreement with IEG recommendations and was pleased to learn that IFC has begun implementing the recommendations and intends to update its Pilot Approach taking into consideration key lessons learned. Members asked IEG to consider a full-fledged evaluation that examines development results when project completion data is available, including on individual platform projects, to get a better understanding of lessons learned and the outcomes and development impacts achieved through the use of IFC Platform Approach. IEG explained that such an evaluation would need to be considered from an evaluability perspective and the topic discussed as part of the fiscal years 2027–29 work program consultations, which are envisioned to start in September 2025. IEG indicated that such an evaluation could be carried out no earlier than fiscal year 2028 were it included in the work program, and suggested another option is to cover the work of individual platforms in relevant sectoral and thematic evaluations.

1 | Background and Context

Highlights

This evaluation's main purpose is to assess the platforms approach of the International Finance Corporation (IFC), as established in IFC's June 2022 paper to the Board on using platforms to enable new business development at scale and clarified further by IFC to the Board in December 2022.

IFC defines platforms as thematic interventions at a regional, global, or sectoral level designed to address a specific development challenge.

The history of the IFC platforms approach dates to the early 2000s, when IFC developed programs to deliver short-term trade finance to its clients. Several early programs no longer meet IFC's December 2022 definition of platforms.

IFC started developing platforms with thematic initiatives focused on solving particular development challenges, parallel to developing short-term finance programs. Responding to crises also motivated greater use of platforms by IFC.

The relevance of platforms was brought to the forefront by two major developments within IFC: adoption of the IFC 3.0 strategy and the IFC capital increase.

The European Bank for Reconstruction and Development is the most advanced among multilateral development banks in its use of platform-like structures and thus is the most comparable to IFC.

The evaluation focuses on three key features of platforms: streamlined project approval, monitoring and reporting, and self-evaluations and independent evaluations.

The evaluation uses the following key methods: structured interviews; desk-based document reviews; portfolio analysis; comparisons with IFC stand-alone projects (benchmarking); platform-based case studies; cross-cutting analyses of governance and reporting, risk, and efficiency; and a forward-looking scenario exercise with focus groups.

Definition of Platforms

The International Finance Corporation (IFC) defines platforms as thematic interventions at a regional, global, or sectoral level designed to address a specific development challenge. Projects under each platform have clearly defined eligibility criteria and may use a range of IFC products (for example, loans, equity, and advisory services) to meet these thematic challenges. Platforms may benefit from delegation of authority—the transfer of project approval authority from the Board to management—in full or in part or may have no delegation of authority from the World Bank Group Board of Executive Directors (IFC 2022b). The Bank Group Board grants delegation of authority to IFC management to allow it to approve projects without a formal Board meeting decision (for example, without preparing a Board paper). This contrasts with a regular procedure of convening a formal Board meeting to decide on IFC's proposed investment or a streamlined absence of objection (AOB) procedure, in which IFC management is authorized to proceed with the proposed project on a closing date specified in the Board paper unless an executive director requests a full Board discussion.

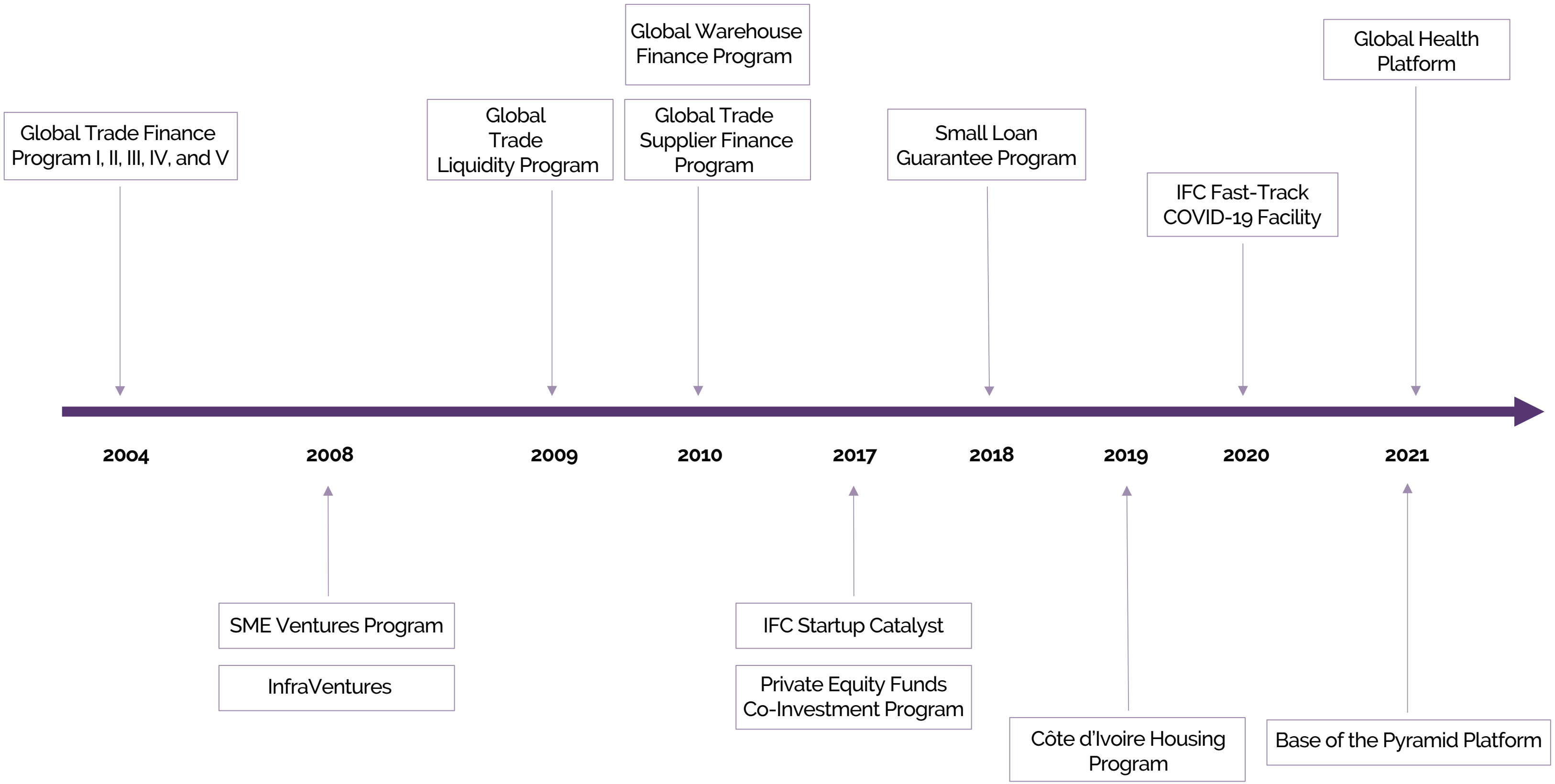
Evolution of International Finance Corporation Platforms

The history of IFC's platforms approach dates to the early 2000s, when IFC developed new programs to deliver new types of financing to its clients, predominantly short-term trade finance. IFC launched the Global Trade Finance Program in 2004 and other similar programs, such as the Global Trade Liquidity Program in 2009 and the Global Trade Supplier Finance Program and the Global Warehouse Finance Program in 2010, to deliver mainly short-term trade financing to its clients (figure 1.1). Given their market-driven nature, smaller transaction size, and large number of transactions, these short-term products required delegating authority to IFC management to approve transactions to meet the quick settlement time frames that complied with market demands. Otherwise, the large number of transactions under these short-term products, if processed under the regular procedure or AOB, were likely to overburden the Bank Group Board.

However, with the change in the definition of platforms in December 2022, these programs are no longer considered IFC platforms (IFC 2022a).

Parallel to developing short-term finance programs, IFC started developing platforms focused on thematic initiatives addressing specific development challenges. Approved in 2008, the SME Ventures program invests equity into small and medium enterprise–focused private equity funds in International Development Association (IDA), fragile and conflict-affected situations (FCS), and frontier countries, whereas the InfraVentures platform aims to increase the pipeline of bankable public-private partnership projects in client countries. Several other platforms were launched later: IFC Startup Catalyst (ISC; approved by the Board in 2017) aimed at supporting early-stage companies across emerging markets; the Private Equity Funds Co-Investment Program (2017), providing a mechanism to leverage investments by private equity funds with IFC co-investments; the Small Loan Guarantee Program (SLGP; 2018), promoting Risk-Sharing Facilities to provide lending to small and medium enterprises in countries eligible for IDA financing; and the Côte d'Ivoire Housing Program (2019), targeting affordable housing.

Figure 1.1. Evolution of Platforms in the International Finance Corporation



Source: IFC 2022b.

Note: IFC = International Finance Corporation; SME = small and medium enterprise.

Exogenous shocks, such as the global financial crisis, natural disasters, and global health emergencies, also motivated IFC's increased use of platforms. This dimension first emerged during the 2008–09 global financial crisis when IFC used the Global Trade Finance Program successfully to provide emergency financing to clients. IFC's Fast-Track COVID-19 Facility (FTCF), launched in 2020,[1] was created to provide emergency support to private sector companies to cope with the COVID-19 pandemic's impact. IFC's COVID-19 response was enhanced by launching the Global Health Platform (GHP) later in 2020 to increase the supply of health-care products and services in developing countries and the Base of the Pyramid (BOP) platform in 2021 to provide financing to financial service providers serving micro, small, and medium enterprises (MSMEs).[2]

International Finance Corporation's Strategic Priorities

The relevance of platforms was brought to the forefront by two major developments within IFC: adoption of the IFC 3.0 strategy and the IFC capital increase. The IFC 3.0 strategy, approved by the Bank Group Board in December 2016, focused on developing new markets or systemic changes to existing markets to achieve sustainable development impact. It sought to promote private participation in development financing to contribute to the Sustainable Development Goals. The historic $5.5 billion capital increase package approved by the Bank Group Development Committee in April 2018 set ambitious strategic targets for IFC. More specifically, IFC committed to ramping up its operations on several fronts, including doubling its annual overall commitments and increasing its share of own-account long-term finance commitments in IDA countries and countries classified as FCS to 40 percent by 2030. These two initiatives required IFC to triple the number of investment projects from approximately 300 per year to an estimated 900 per year. Given that these targets will have to be achieved without a commensurate increase in budget resources, the obvious focus is on efficiency gains and improved productivity. IFC introduced platform approaches to pilot and scale up its interventions in critical development areas, consistent with IFC 3.0 and capital increase objectives.

International Finance Corporation's Approach to Platforms

Considering this context, soon after approval of its capital increase, IFC management began engaging with the Bank Group Board, linking the concept of systematically using platforms to contribute to capital increase commitments. Yet no generally accepted definition of platforms existed until 2022. In June 2022, the Board approved a paper presented by IFC management on using IFC platforms to enable new business development at scale (box 1.1; IFC 2022b). The main purpose of that paper was to systematize IFC's approach to platforms because IFC already had several platforms in place. The Board approved the paper on a pilot basis with the understanding that IFC would commit to engaging with the Board regarding each platform, developing robust and regular reporting to the Board on its platforms and their underlying projects, and facilitating periodic Group Internal Audit and Independent Evaluation Group evaluations of platforms. Then, in December 2022, IFC issued an update distinguishing platforms from programs and products.

Box 1.1. Differences Among Platforms, Products, and Programs

No generally accepted definition of platforms existed until 2022. The International Finance Corporation's June 2022 Approach Paper, *IFC Platforms: Enabling New Business Development at Scale*, defines programs and platforms as "grouping of projects of a similar nature or development objective under a single envelope, processed in an expedited fashion" (IFC 2022b, 1). The December 2022 paper, "IFC's Approach to Platforms: An Update—Applying Lessons to Enhance Platform Clarity," explicitly distinguished platforms from programs and products. Since then, the paper's definition of platforms has been widely accepted.

- Platforms are defined as "thematic interventions—either at a regional, global, and/or sectoral level—designed to address a specific development challenge" (IFC 2022a, 1). Projects under each platform have clearly defined eligibility criteria and may leverage a range of International Finance Corporation products to enable impact against these thematic interventions. Platforms may

(continued)

Box 1.1. Differences Among Platforms, Products, and Programs (cont).

benefit from delegation of authority in full or in part or may have no delegation of authority from the Board.

- Products are market-based financial instruments, such as senior loans, subordinated loans, quasi-equity (loan), equity, quasi-equity (equity), bonds, and guarantees (Risk-Sharing Facilities, partial risk guarantees, and other types of guarantees in the form of unfunded risk participation). Products are purpose-agnostic, used to address varying development needs, and can deliver the intended financing in the most effective and efficient manner.

- Programs are "a Board authorized product for up to a specified amount (limit)." A number of programs, such as the Global Trade Finance Program, the Global Trade Liquidity Program, the Global Supply Chain Finance Program, the Global Trade Supplier Finance Program, and the Global Warehouse Finance Program, have delegation of authority because of the short turnaround needs of the underlying transactions as required by the market and their standardized nature. For example, the Global Trade Finance Program supplies short-term trade finance under delegated authority and has a limit of US$5.5 billion.

Sources: IFC 2022a, 2022b.

Platforms Approach in Other Multilateral Development Banks

Among the multilateral development banks, the European Bank for Reconstruction and Development (EBRD) is the most advanced institution in the use of platform-like structures, which it calls "investment frameworks." EBRD first introduced the concept of multiproduct facilities in the mid-1990s and with it a degree of approval delegated to management. These facilities soon evolved into the broader idea of investment frameworks. Multiproduct facilities aimed to bring together under one roof the standardization of projects and procedures relating to the same client, while frameworks did the same for projects of a similar nature, each within a financial envelope approved by the EBRD's Board. They were primarily a response to the fact that the project preparation burden faced by clients and the EBRD management, staff, and Board was intensive and resulted in long project gestation periods. Projects of up to €25 million under frameworks are currently eligible for delegated approval, except for those regarded as "novel or contentious."[3] In *IFC Platforms: Enabling New Business Development at Scale*, IFC established a different indicative threshold from EBRD for platform projects under delegated authority—up to $25 million of IFC own-account finance for new clients and up to $50 million for existing clients (IFC 2022b).

Scope and Methodology

This evaluation focuses on assessing the platforms approach as established in the June 2022 IFC paper and further clarified to the Board in December 2022. It does not evaluate the relevance and effectiveness of each individual IFC platform separately and does not include platforms that may have been called platforms at some point but do not conform to the 2022 criteria.

The evaluation focuses on three key features of platforms: streamlined project approval using delegated authority and approvals on an AOB basis, monitoring and reporting, and pooling of risk and mitigating risk (primarily using IDA Private Sector Window [PSW] blended finance). First, the Board authorized some platforms to use approval authority delegated to IFC management in approving individual projects, often subject to certain restrictions. In addition, the Board authorized platforms to use a shorter form of a Board paper paired with Board approval by AOB.[4] Both approval methods are supposed to reduce the processing time associated with moving a project from design to approval and to first disbursement, and this evaluation explores the actual savings and efficiencies achieved. Processing time is sometimes reduced through standardization and streamlining achieved by a more uniform treatment of similar projects. Second, the Board, to exercise its governance functions, requests IFC to report certain information regularly either at approval or periodically at the project or platform level. This evaluation explores the nature and quality of such reporting and inquires as to what information the Board would need to exercise its oversight. Third, some platforms have blended finance (primarily IDA PSW) integrated into their design to allow IFC to reach riskier markets and clients. This evaluation will consider the extent to which IDA PSW allows IFC to engage in IDA countries and FCS and with clients in underserved markets.

The evaluation seeks to answer three key questions about platforms:

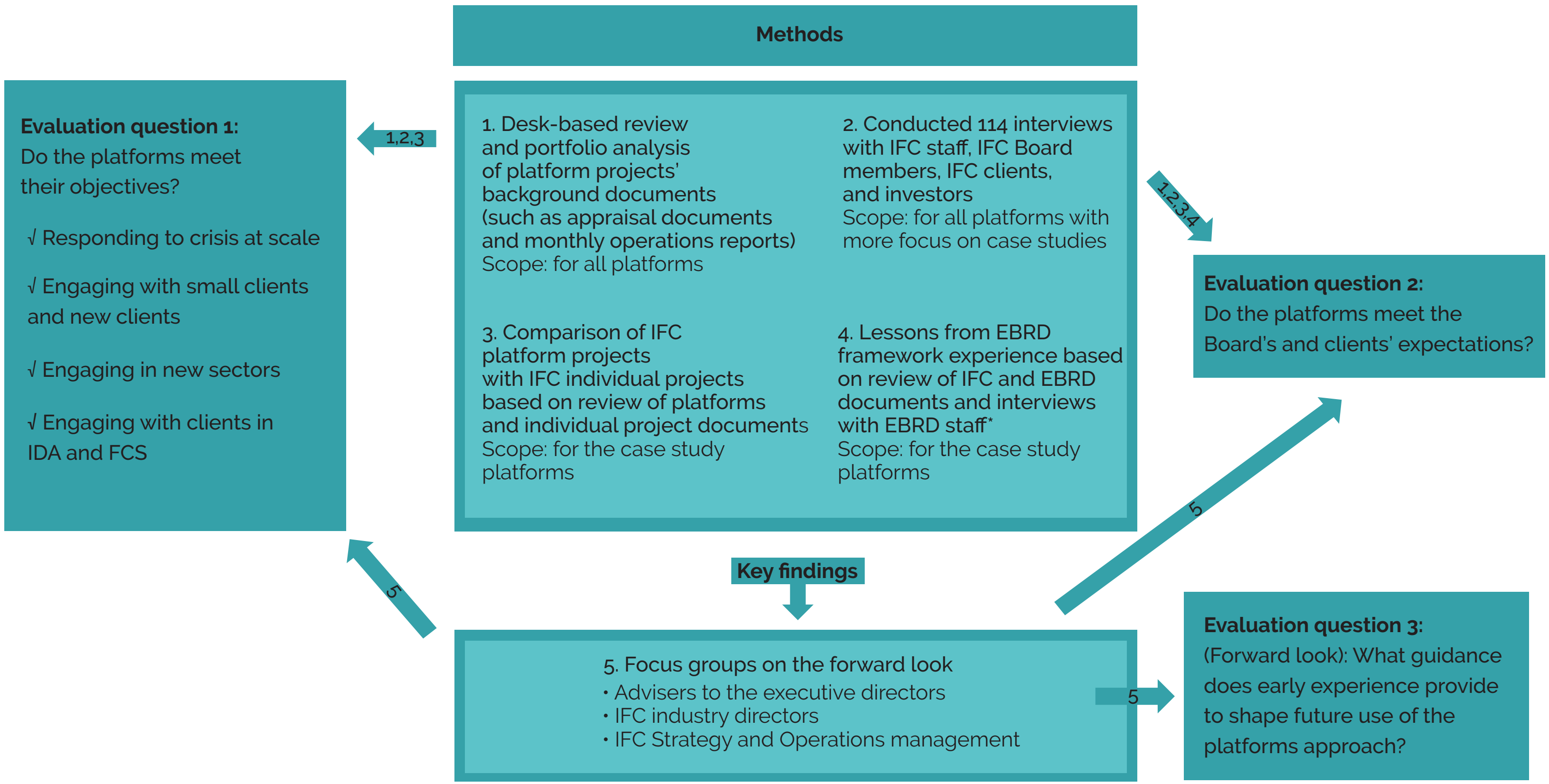
1. To what extent do the IFC platforms achieve their objectives, specifically (i) responding to crisis at scale, (ii) engaging with small and new clients, (iii) engaging with clients in IDA countries and FCS, and (iv) engaging in new sectors?

2. To what extent does IFC's platforms approach meet Board and client expectations on oversight, reporting, and efficiency gains while balancing risks and benefits to enhance trust over time?

3. What guidance does the early experience of platforms provide IFC in shaping future use of the approach?

To answer these questions, we used five core methods (figure 1.2). These include (i) in-depth case studies for three platforms and lighter desk studies for the four others enhanced by portfolio analysis; (ii) extensive interviews with IFC staff, the IFC Board, IFC clients, and investors; (iii) benchmarking comparison of IFC platforms with similar nonplatform projects; (iv) a derivation and comparison of lessons from EBRD's experience with frameworks; and (v) a forward look using focus groups to elicit key stakeholder views on the lessons of experience for the future of the platforms approach. As figure 1.2 notes, a subset of methods was used to answer evaluation questions 1 and 3, whereas all methods informed the answer to evaluation question 2.

Figure 1.2. Platforms Approach Evaluation Design



Source: Independent Evaluation Group.

Note: EBRD = European Bank for Reconstruction and Development; FCS = fragile and conflict-affected situations; IDA = International Development Association; IFC = International Finance Corporation.
* EBRD lessons were primarily used to answer evaluation question 2.

The evaluation covers seven platforms that IFC approved between FY 2017 and FY22 (the evaluation period): ISC (FY17), Private Equity Co-Investment (FY17), SLGP (FY18), the Côte d'Ivoire Housing Program (FY19), FTCF (FY20), GHP (FY21), and the BOP platform (FY21). On the basis of a request from the Board, we also included in the evaluation's scope projects approved in FY23 under the seven platforms.

We assessed the platforms approach more deeply through the lens of the three IFC platforms (case studies) that the Board approved during FY17–22: GHP, BOP, and ISC. We conducted the three case studies to reflect diverse platform experiences and identified the case studies based on three criteria:

» Timing of platforms approval: Selecting platforms over the six-year period allowed us to assess both crisis and noncrisis response platforms.

» Intensity of coverage of priority themes: The platform selection criteria included platforms targeting MSMEs, early-stage companies focusing on digital technologies, and companies contributing to health-care products or services in response to the COVID-19 pandemic.

» Ease of grouping subprojects within a theme for alignment with the definition of platforms in the IFC paper discussed at the Board in June 2022 (IFC 2022b) and IFC's follow-up clarification to the Board in December 2022 (IFC 2022a). The selection criteria included platforms with subprojects addressing a similar development objective (for example, tackling health-care supply gaps in developing countries).

Each case study sought to answer evaluation questions 1 and 2 through a combination of desk-based reviews and portfolio analysis, comparing them with IFC stand-alone projects (benchmarking), along with extensive interviews. We collected and analyzed documents at the institutional, platform, and project levels, including through a portfolio review for all the seven platforms in scope. We conducted interviews with IFC platforms owners, IFC investment officers who led platform projects, the IFC reporting team, IFC risk officers, IFC corporate portfolio staff, IFC clients, investors, and executive director advisers. These interviews were semistructured, starting with an established template of questions but with the freedom to explore particular aspects in depth. Case studies also drew from deep dives on risk and on oversight and reporting. For four other platforms—Private Equity Co-Investment, SLGP, the Côte d'Ivoire Housing Program, and FTCF—we prepared lighter desk studies based on fewer interviews and less in-depth analysis. These lighter studies limited the assessment to desk-based reviews of background documents (such as individual platform-level Board papers and Board discussions of individual platforms) and interviews with owners of these individual platforms to gather evidence beyond the desk-based reviews.

To answer evaluation questions 1 and 2, we also compared IFC case study platforms with IFC stand-alone projects (nonplatform benchmarks). We selected nonplatform benchmarks for the three case study platforms from all IFC stand-alone investment projects approved between FY17 and FY22. We selected nonplatform benchmarks with objectives, beneficiaries, and industries similar to the platform case studies. We then compared all platform projects for each of the case study platforms with all nonplatform (benchmark) projects matched to each case study. We worked to minimize limitations in the comparison. First, identical comparators were not possible because BOP and GHP benchmarks had been implemented before these two platforms were launched, and the ISC platform finances smaller projects than individual (nonplatform) comparators. Second, to address the limitations, we applied several checks to confirm the validity of comparisons. Benchmarks were not used as strict counterfactuals but as reasonable points of comparison. The checks examined the validity of comparison with regard to use of IDA and FCS projects, use of blended finance support (primarily IDA PSW), regional distribution, country income, investment size, and client type (new or existing client; see appendix A).

In addition, a deep dive compared EBRD's long-term practice and experience with investment frameworks with IFC's experience with platforms. Among the multilateral development banks, EBRD investment frameworks are the most similar to IFC's platforms in structure and characteristics. EBRD's Financial Intermediaries Framework, launched in 2015, is similar to IFC's BOP. The Financial Intermediaries Framework lends to financial intermediaries that onlend to MSMEs. Both BOP and the Financial Intermediaries Framework have a delegated authority option. EBRD's Early-Stage Innovation Facility, launched in 2014, and the Venture Capital Investment Program, launched in 2011, are similar to IFC's ISC. The Early-Stage Innovation Facility invests in early-stage venture capital funds. The Venture Capital Investment Program provides small direct equity investments in companies needing venture capital. ISC, the Venture Capital Investment Program, and the Early-Stage Innovation Facility all have delegated authority as a standard feature. EBRD does not invest significantly in health care, and thus no framework was compatible with GHP.

We used a scenario-based forward look exercise to conduct focus group discussions with IFC management, the IFC Corporate Strategy and Operations team, and executive director advisers to reflect on the future implications of experience with the platforms approach. Using an expert facilitator, participants were asked how, in alternate scenarios, platforms could contribute to the IFC 3.0 strategy and to the capital increase targets with regard to delegation of authority, global crises, and scale-up to reach new clients and new markets. The forward look had three focus groups: 20 advisers or senior advisers to the executive directors, 3 IFC industry directors for the three case study platforms, and 6 members of management and staff from IFC's Corporate Strategy and Operations team.

Limitations. We examined early evidence on platforms as an approach rather than focusing on the effectiveness of individual IFC platforms and their development outcomes because this is an early-stage evaluation. We could not measure development outcomes or compare them with what IFC achieved outside of platforms. The direct and intermediate outcomes hypothesized in the program logic (see appendix A on methods used in this evaluation) and tested in this evaluation are limited to process outcomes (for example, efficiency gains, anticipated risk, and client and project characteristics). In addition, the fact that the base of experience in this evaluation is both limited and diverse among the seven in-scope platforms in some cases limits the generalizability of findings. Although several platforms have objectives of reaching small clients, this evaluation could capture only investment (transaction) size. Client size in terms of assets, sales, or employees is not available universally. Limitations to the benchmarking exercise are explained in this chapter and in appendix A. The Independent Evaluation Group's methodology on new sectors compares the sectors IFC invested in using platform projects with the sectors IFC invested in without platform projects to identify sectors that IFC has only ever invested in via platforms (that is, new sectors). Already implicit in this analysis is a comparison of the sectoral distribution of platform versus nonplatform projects, obviating the need for further benchmarking. Indeed, this approach cannot be used to generate a “new sector” estimate for nonplatform benchmarks.

[1] On March 13, 2020, the president of the United States declared a national emergency because of the COVID-19 outbreak. On April 10, 2023, the president signed a resolution terminating the national health emergency, and on May 11, 2023, the public health emergency expired.

[2] These financial service providers include microfinance institutions, nonbank financial institutions, and banks focused on micro, small, and medium enterprises.

[3] "Novel or contentious" was not defined and was left to EBRD management's discretion. It was meant to ensure that the Board was able to opine on projects that ventured into new areas—whether to be informed, congratulate staff, or object to the novelty—and on those that fell into disputed issues. Among the latter, at some point, were projects in Türkiye, projects with links to offshore jurisdictions, those with headquarters or domiciled outside countries of operations, and others. Management took a cautious approach with investment committee secretariats and other units, flagging potential issues and escalating them to senior management for decision where appropriate.

[4] AOB period for platform projects (5 days) is shorter than for nonplatform projects (10 days).

2 Platforms Approach Performance

Highlights

The International Finance Corporation (IFC) platforms achieved the objectives they set out to achieve but with some exceptions. However, the importance of the platforms approach in terms of enabling the achievement of these objectives varied across platforms.

Platforms allowed IFC to increase the scale of its crisis response during the height of the pandemic, yet, in terms of the pandemic response, there was a period of time that elapsed after IFC's initial COVID-19 response and before the launch of the Base of the Pyramid platform or the approval of the Global Health Platform's first investment.

Three platforms that were expected to engage substantially (though not always exclusively) with small clients each succeeded in making smaller investments. Projects under the IFC Startup Catalyst platform were early-stage, preseed, or seed funds and were too small to be approved without this platform.

The BOP and IFC Startup Catalyst platforms both reached new clients. BOP stood out for having a much higher proportion of new clients than their benchmarks. In addition, BOP was able to engage with new and risky clients by taking advantage of pooling of risk using International Development Association Private Sector Window blended finance support.

A large majority of the Small Loan Guarantee Program and BOP projects and a substantial minority of the Fast-Track COVID-19 Facility projects were in International Development Association countries and countries classified as fragile and conflict-affected situations by design.

The Côte d'Ivoire Housing Program was dropped because it misjudged the market, focusing narrowly on one country, one sector, and two participating banks.

Platforms aiming to reach new sectors did so to some extent. IFC Startup Catalyst projects targeted the digital technology sector; BOP targeted financial service providers for micro, small, and medium enterprises in challenging markets; and the Global Health Platform financed medical equipment and diagnostic services. However, the platforms approach was not essential to Global Health Platform investments.

Overall, the IFC platforms achieved the objectives they set out to achieve, with some exceptions; however, the importance of the platforms approach in terms of enabling the achievement of these objectives varied across platforms. This chapter addresses evaluation question 1: To what extent do the IFC platforms achieve their objectives? We identified the following four objectives based on our review of the seven in-scope platforms' Board papers: (i) responding to crisis at scale, (ii) engaging with small clients and new clients, (iii) engaging with clients in IDA countries and FCS, and (iv) engaging in new sectors. We discuss each of the four objectives in detail in this chapter. We assessed platform objectives based on triangulation of evidence from the following:

- Platform case studies, which involved desk-based reviews and interviews with investment officers, investors, and IFC clients
- Lighter desk reviews of four individual platforms outside of the three case studies
- Portfolio analysis
- Benchmarking the case study platforms against IFC stand-alone projects with similar characteristics, where applicable

For each objective, we also used these sources to assess the extent to which platforms achieved the objective and whether the platforms approach (that is, which platform features) was key to this achievement. As an early-stage evaluation, we examined early evidence on platforms as an approach rather than focusing on the development outcomes of individual IFC platforms. Because the Independent Evaluation Group had evaluated only one platform project at the time of this evaluation, we could not assess outcomes or compare them with what IFC achieved outside of platforms.

Response to Crisis at Scale

Platforms focused on pandemic response allowed IFC to increase the scale of its crisis response during the height of the pandemic (table 2.1). Three platforms were approved during the pandemic to address urgent needs: FTCF, GHP, and BOP. "Crisis" in this section refers specifically to the COVID-19 pandemic. Evidence from the case studies shows that 75 percent of IFC's COVID-19 response ($7.7 billion) was channeled mainly through these platforms from late FY20 through FY22 (figure 2.1). Both the Board and IFC management confirmed in focus groups that platforms added value during the pandemic by allowing a faster and focused response. Using expedited processes, FTCF and BOP channeled substantial working capital to firms and financial intermediaries when liquidity ran short. For example, BOP financed a $50 million loan to a South Asian nonbank financial institution focused on women borrowers in 2022, enabling the institution to expand its lending during a time of increased delinquencies and provisioning requirements.

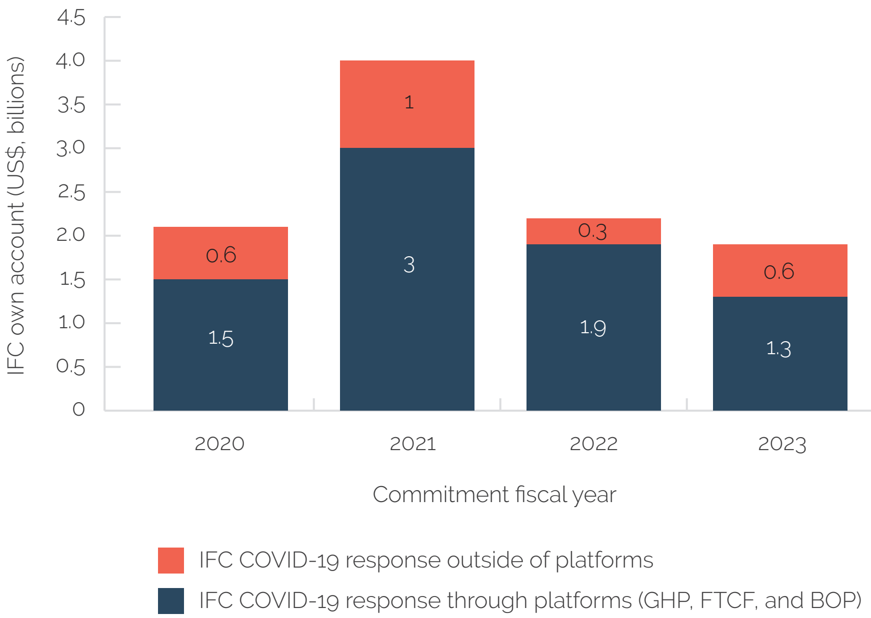
Table 2.1. Responding to Crisis at Scale: Achievements and Role of the Platforms Approach for Key Platforms

	Platform		
Question	Fast-Track COVID-19 Facility	Global Health Platform	Base of the Pyramid
Was the objective achieved?	Addressed the objective; fully disbursed and timely	Addressed the objective; delayed and not fully committed; failed to mobilize at scale	Addressed the objective; delayed but mostly committed
Was the platforms approach key to achievement of the objective?	Platform efficiencies enabled rapid response at scale	Projects likely to have occurred without it	Platform efficiencies enabled it to meet urgent client need

Sources: Independent Evaluation Group case studies, desk reviews, and portfolio analysis.

Note: The table covers three platforms aimed at the pandemic response. Dark green, white text = strongly; medium green, black text = moderately; pink, black text = weakly.

Figure 2.1. International Finance Corporation COVID-19 Response Channeled Through and Outside of Platforms



Source: Independent Evaluation Group, using data from International Finance Corporation quarterly reports and platform evaluation portfolio.

Note: IFC's COVID-19 response outside of platforms was computed as IFC's total COVID-19 response minus IFC's COVID-19 response through the GHP, FTCF, and BOP platforms. Data on IFC's total COVID-19 response are from IFC quarterly reports, and data on IFC COVID-19 response through platforms are from the platform evaluation portfolio. Data exclude the Global Trade Finance Program. BOP = Base of the Pyramid; FTCF = Fast-Track COVID-19 Facility; GHP = Global Health Platform; IFC = International Finance Corporation.

Seventy percent of IFC's own-account financing to COVID-19 response was channeled through the FTCF. The quick activation and rapid disbursement of FTCF were based on speedy approval using delegated authority and improved internal processes without sacrificing its due diligence and decision-making standards. For example, an early look process replaced the traditional Concept Note process, which achieved time savings by preparing a short-form Concept Note (called early look) and eliminating minutes from Concept Note meetings. In addition, careful risk management using existing clients, short tenors, and de-risking with IDA PSW blended finance contributed to the quick activation and rapid disbursement.

However, in terms of the pandemic response, there was a period of time that elapsed after IFC's initial COVID-19 response and before the launch of the BOP platform or the approval of GHP's first investment. GHP focused resources on medical manufacturing. Despite urgent needs, GHP's first investment was approved one year after the pandemic in March 2021. In addition, interviews with the investment officers show that projects would likely have occurred without GHP. Nonetheless, GHP's focus was highly relevant to the pandemic.[1] For example, GHP financed a pharmaceutical company in Africa to expand production of vaccines for the region and other emerging markets. By 2021, it reportedly created capacity to produce more than 400 million vaccines per year. Although BOP focused on providing financing to financial intermediaries serving BOP (for example, MSMEs), it was launched 11 months after the COVID-19 outbreak in February 2021. The delay occurred because IFC took time to assess the pandemic's impact on financial intermediaries serving MSMEs so it could tailor its response.

Engaging with Small Clients and New Clients

IFC used specific platforms to extend its reach to a higher percentage of small clients (as reflected by small transactions) and new clients (table 2.2). For the purposes of this evaluation, "small clients" refers to clients with small IFC commitment amounts that IFC would not otherwise invest without specific platform intended to serve such clients. We used this proxy because client size is not always recorded. Project documents often do not capture or report the size of IFC clients (for example, company asset size, sales, number of employees, and so on). "New clients" refers specifically to clients in which IFC has not made an earlier investment since July 2000. Regarding the benchmarking analysis in this chapter (comparing the three case study platforms with IFC stand-alone projects), identical comparators were not possible because BOP and GHP benchmarks were implemented before these two platforms were launched. Moreover, the ISC platform finances smaller projects than individual (nonplatform) comparators because IFC would not otherwise invest in these projects without the ISC platform.

Table 2.2. Engaging with Small Clients and New Clients: Achievements and Role of the Platforms Approach for Key Platforms

	Platform		
Question	Base of the Pyramid	IFC Startup Catalyst	Private Equity Co-Investment
Was the objective achieved?	Reached much higher percentage of new clients and smaller transactions than benchmark	Reached 100% of new clients and much smaller transactions than benchmark	Reached new clients but not fully committed; targeted SMEs with investments averaging US$4 million
Was the platforms approach key to the achievement of the objective?	Platform efficiencies and pooled risk helped reach riskier new clients	Platform efficiencies were critical to financing small transactions, but most benchmark projects also reached new clients	Platform efficiencies facilitated small investments in SME clients

Sources: Independent Evaluation Group case studies, desk reviews, and portfolio analysis.

Note: Table covers three platforms with highest percentage of small or new clients. Dark green, white text = strongly; light green, black text = moderately. IFC = International Finance Corporation; SMEs = small and medium enterprises.

Platforms that aimed to reach small clients enabled IFC to make smaller investments than benchmarking projects. The BOP, ISC, and Private Equity Co-Investment platforms that aimed to reach small clients succeeded in doing so by making smaller investments (table 2.3). For ISC and BOP, the average commitment amounts per project were much lower than their benchmarks: for ISC, the average commitment amount per project was $3 million versus its benchmark of $14 million, and for BOP, the average commitment amount per project was $12 million versus its benchmark of $29 million. Private Equity Co-Investment financing, which was not benchmarked, averaged only $4 million per project. Platform features such as project processing efficiency and pooling of risk using blended finance (discussed in chapter 3) allowed platforms to finance transactions that IFC would not have financed through stand-alone projects.

Table 2.3. Platforms That Enabled the International Finance Corporation to Make Smaller Investments (average commitment; US$, millions)

Client	Platform	Benchmark
IFC Startup Catalyst	3	14
Base of the Pyramid	12	29
Private Equity Co-Investment	4	n.a.

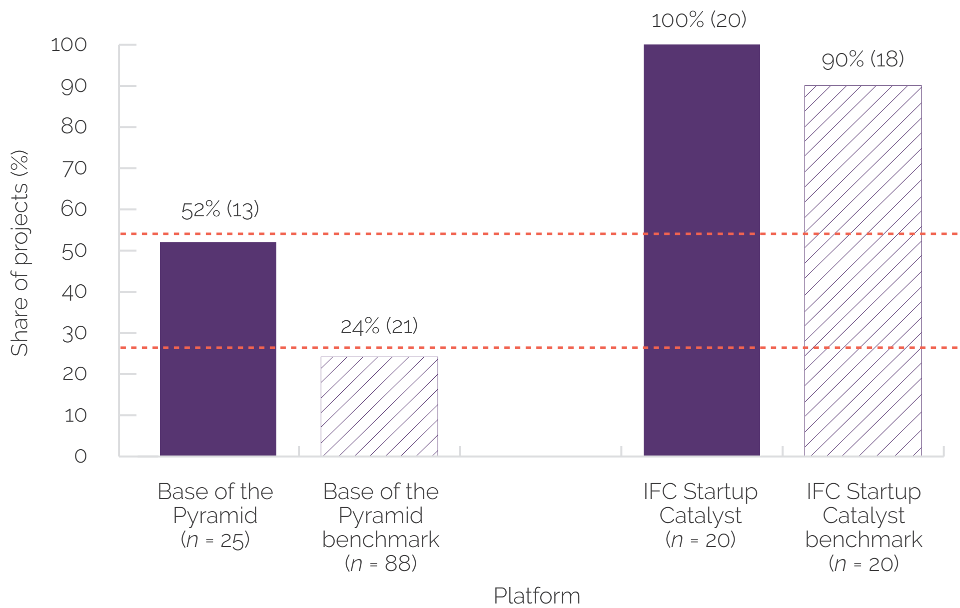
Source: Independent Evaluation Group portfolio analysis and benchmarking exercise.

Note: IFC = International Finance Corporation; n.a. = not applicable.

Evidence from the case study shows that projects under ISC were early-stage, preseed, or seed funds and were too small to be approved under IFC's non-platform approach. Investment officers interviewed for the ISC case study uniformly stated that transactions would not have proceeded without the platform. For example, ISC made a $3 million equity investment in a venture capital fund supporting seed-stage investments in East Asia—a small investment IFC would not have made outside of the ISC platform. IFC also used ISC to make a $3 million equity investment in an accelerator and seed fund supporting start-ups in Latin America, supporting a first-time fund manager and setting a positive precedent for other emerging fund managers in the region.

BOP, ISC, and Private Equity Co-Investment were all expected to engage substantially (although not always exclusively) with new clients, and all succeeded in doing so. Both BOP and ISC reached more new clients than their benchmarks, but the ISC benchmark (stand-alone projects) also reached a high percentage of new clients.[2] Each of the three platforms targeting new clients exceeded IFC's target of 40–60 percent for new clients as stated in the IFC Approach Paper, which was discussed at the Board in June 2022 (IFC 2022b; figure 2.2). However, BOP stood out for having a much higher proportion of new clients than its benchmark. BOP engaged with new and risky clients by taking advantage of pooling of risk using IDA PSW blended finance support.[3] For example, in a Central Asian IDA country, BOP financed two new microfinance institutions, each for $2.5 million. The local currency loans were supported by blended finance earmarked for financing women-led micro enterprises and for affordable housing for low-income individuals.

Figure 2.2. Base of the Pyramid and International Finance Corporation Startup Catalyst Projects Reaching New Clients, FY17–22



Sources: IFC *Business Intelligence* reports; Independent Evaluation Group calculated data on new clients.

Note: Dashed lines indicate IFC's target for new clients at 40–60 percent as stated in IFC (2022b).
IFC = International Finance Corporation.

ISC provided some nonfinancial additionalities, such as hand-holding to first-time fund managers who were unfamiliar with legal and technical requirements, to help them work with IFC and develop as fund managers. Legal negotiations were the major reason for delays with many first-time fund managers within ISC, who did not have experience dealing with development finance institutions and were unfamiliar with the legal requirements. The ISC case study found that IFC staff provided technical assistance to such fund managers.

Efficiency gains from its business model enabled Private Equity Co-Investment to provide additional financing to new clients (companies within IFC financed private equity funds in this platform). In Private Equity Co-Investment, IFC relies on the fund managers of the platform's private equity funds to conduct due diligence and investment decisions of the companies in which IFC is co-investing. In addition, IFC's co-investments within this platform have lower or no fund management fees or carried interest (the percentage of a private equity fund's investment profits that a fund manager receives as compensation).

Engaging with Clients in International Development Association Countries and Fragile and Conflict-Affected Situations

Platforms provided a vehicle for IFC to engage with clients in IDA countries and FCS, except for the Côte d'Ivoire Housing Program, because it did not meet its objectives (table 2.4).[4] By design, four platforms were expected to engage substantially in IDA and FCS: SLGP, BOP, FTCF, and the Côte d'Ivoire Housing Program. A large majority of SLGP projects (95 percent) and BOP projects (72 percent) were in IDA countries and FCS. In addition, a substantially higher percentage of BOP projects were in IDA countries and FCS compared with its benchmark projects (figure 2.3). Both the SLGP and BOP platforms have blended finance support integrated in their design, which enables them to pool risk and engage with riskier IDA and FCS clients. Portfolio focus (such as BOP's focus on financial intermediaries targeting MSMEs), efficiency gains (for example, delegation of authority for existing clients and streamlined internal processes, such as short-form Board papers for AOB approvals for new clients under BOP), and risk mitigation (for example, pooling of risk through blended finance support in BOP and SLGP) facilitated engagement with IDA and FCS clients.

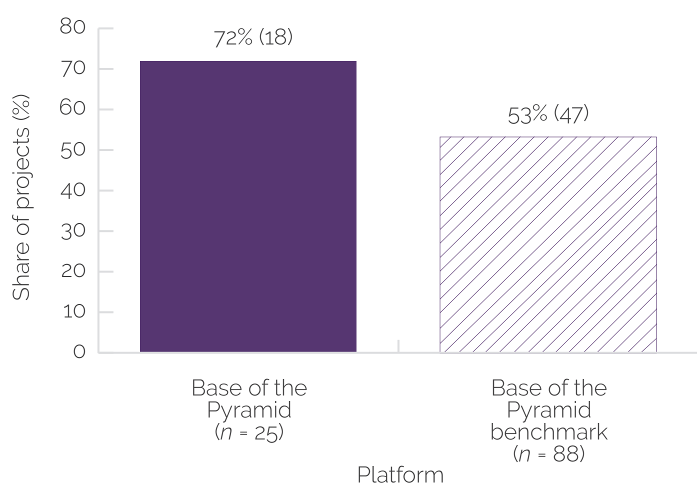
Table 2.4. Engaging with Clients in IDA Countries and FCS: Achievements and Role of the Platforms Approach for Key Platforms

	Platform			
Question	Fast-Track COVID-19 Facility	Base of the Pyramid	Small Loan Guarantee Program	Côte d'Ivoire Housing Program
Was the objective achieved?	31% in IDA and FCS	72% in IDA and FCS	92% in IDA and FCS	Terminated
Was the platforms approach key to the achievement of the objective?	Focus, platform efficiencies, and pooled risk enabled greater reach to IDA and FCS	Focus, platform efficiencies, and pooled risk enabled greater reach to IDA and FCS	Focus, platform efficiencies, and pooled risk enabled greater reach to IDA and FCS	No basis to determine

Sources: Independent Evaluation Group case studies, desk reviews, and portfolio analysis.

Note: This table covers four platforms with explicit IDA and FCS aims and highest IDA and FCS engagement. Dark green, white text = strongly; light green, black text = moderately; medium red, white text = not at all. FCS = fragile and conflict-affected situations; IDA = International Development Association.

Figure 2.3. Base of the Pyramid Projects Engaging in IDA Countries and FCS, FY17–22



Source: Independent Evaluation Group analysis of data from IFC *Business Intelligence* reports.

Note: FCS = fragile and conflict-affected situations; IDA = International Development Association; IFC = International Finance Corporation.

The case study found that the availability of the pooled risk paired with IDA PSW blended finance helped IFC make investments or provide financing in local currencies in countries where clients' credit risks would otherwise have been regarded as unacceptably high. The IDA PSW blended finance support is embedded in the structure of some platforms (such as BOP and SLGP). The mechanism consists of a pooled first-loss facility, which reduces the risk of loss to IFC if borrowers covered under this credit protection default (applies to both BOP and SLGP platforms), and access to the IDA PSW local currency facility to address situations in which clients needed local currency, but IFC could not access local currency at viable rates (applies to the BOP platform). This support was important to enabling IFC to extend some platforms (such as BOP and SLGP) to IDA PSW-eligible countries, where the needs of the MSME or small and medium enterprise segment were the greatest. By reducing the effective riskiness of some IDA PSW clients to IFC's portfolio through its first-loss protection, IDA PSW allowed IFC to reduce interest rate spreads for such clients. For example, BOP financing of $5 million supported a microfinance institution's lending to MSMEs and individuals in the Middle East, especially women. The small institution is in a conflict-affected region, and its customer base is vulnerable.

A substantial minority of FTCF projects were in IDA countries and FCS. Its Financial Institutions Response Envelope, intended to reach clients in IDA countries and FCS, did so in most of its projects. Based on the evidence from a broader review of FTCF, 43 percent of the platform's committed volume was deployed in IDA countries and FCS as of February 2022. During the pandemic, most of the engagement in IDA countries and FCS was from the Global Trade Finance Program (57 percent) and Working Capital Solutions (56 percent) components of the Financial Institutions Response Envelope. By contrast, FTCF's Real Sector Crisis Envelope had limited engagement in IDA countries and FCS (23 percent).

However, the Côte d'Ivoire Housing Program did not meet its objectives. The program was a $100 million platform for supporting affordable housing in Côte d'Ivoire and the only platform to focus on a single development challenge in a single country. The platform was designed as financial intermediaries financing and was supported by IDA PSW blended finance. The platform's first phase consisted of senior loans of up to $45 million equivalent in local currency to two banks in Côte d'Ivoire. Because IFC followed the standard procedures in project preparation, no obvious efficiency gains were expected from the first phase. A proposed second phase envisioned using a delegated authority. However, the program was dropped before providing any financing because it misjudged the market, focusing narrowly on one country, one sector, and two participating banks.[5] One of the participating banks withdrew, citing negative price movements in the market, and the second bank failed to restore compliance with IFC's environmental and social (E&S) standards. The Ivorian banking sector's appetite for developing mortgage financing was somewhat overestimated under this platform. According to IFC, the Ivorian government did not deliver on the development of basic infrastructure (water, electricity, and so on) to service the housing under construction, after an unsuccessful World Bank engagement. This delayed delivery was further affected by the onset of the COVID-19 pandemic. The missing basic infrastructure made the banks hesitant to continue their engagement.

Engaging in New Sectors

Platforms aiming to reach new sectors did so to some extent, but the platforms approach was not essential to GHP investments.[6] ISC, GHP, and BOP each realized their aim to reach new sectors that IFC had not otherwise reached, although to a limited extent (table 2.5 and figure 2.4). Platforms focused resources and industry knowledge in specific areas.

Table 2.5. Engaging in New Sectors: Achievements and Role of the Platforms Approach for Key Platforms

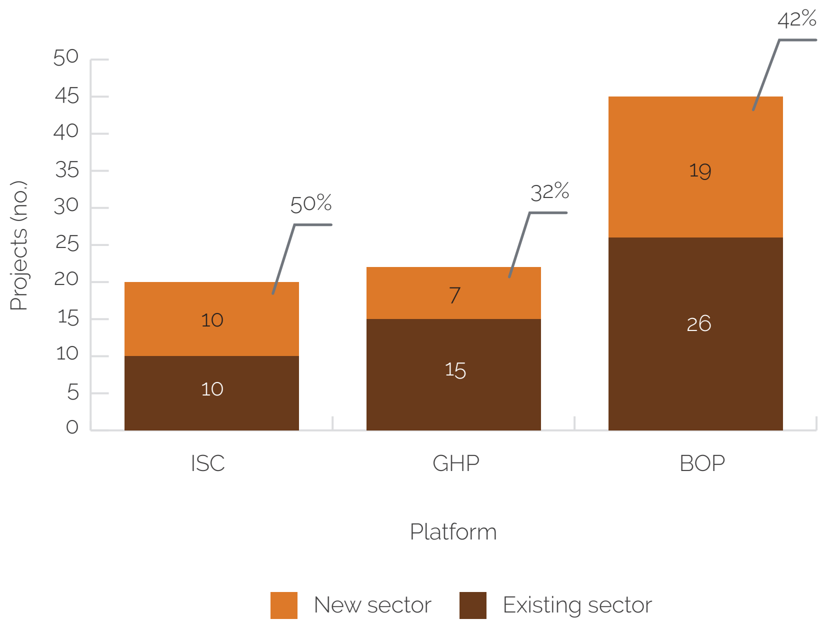
Question	Platform			
	Global Health Platform	IFC Startup Catalyst	Base of the Pyramid	Côte d'Ivoire Housing Program
Was the objective achieved?	32% new country sectors	50% new country sectors	42% new country sectors	Terminated
Was the platforms approach key to the achievement of the objective?	Projects likely to have occurred without platform	Focus and platform efficiencies enabled hand-holding for new fund managers in emerging markets	Focus and efficiencies in reaching MSME finance providers to serve MSMEs and women	No basis to determine

Sources: Independent Evaluation Group case studies, desk reviews, and portfolio analysis.

Note: "Platform" covers four platforms targeting new sectors or those with the highest percentage of new country sectors in the portfolio. Dark green, white text = strongly; light green, black text = moderately; pink, black text = weakly; medium red, white text = not at all. IFC = International Finance Corporation; MSMEs = micro, small, and medium enterprises.

In addition, processing efficiencies (for example, delegation of authority and deal acceptance criteria in ISC) freed up time to serve clients in new sectors. The ISC enabled IFC to target early venture capital financing to start-ups focusing on digital technology, including investments too small to be processed under IFC's nonplatform approach. BOP targeted financial service providers, enabling IFC to reach MSMEs in challenging markets. GHP provided financing in the medical equipment and diagnostic service sectors in some countries where IFC had not invested previously in these sectors. For example, IFC loaned $3 million to a distributor of medical equipment with local presence in an East African country, providing scarce foreign currency to be repaid in local currency. Although GHP focused attention and resources in reaching new sectors, interviews suggest that these projects would likely have proceeded as IFC stand-alone projects.

Figure 2.4. Have Platforms Supported the International Finance Corporation's Entry into New Sectors?



Sources: IFC *Business Intelligence* reports; Independent Evaluation Group calculated data on new sectors.

Note: The numbers in percentages at the top of the bars represent the share of all projects that were committed in a new sector. BOP = Base of the Pyramid; GHP = Global Health Platform; IFC = International Finance Corporation; ISC = IFC Startup Catalyst.

[1] A part of IFC's claimed value for GHP is a greater ability to engage sectorally, including through upstream interventions (which were outside of the scope of the current evaluation).

[2] The one evaluated IFC Startup Catalyst global project failed to reach platform goals on emerging markets because the supported fund invested more than intended in developed markets.

[3] IDA PSW support to the BOP platform was provided through (i) pooled first-loss guarantee through the PSW Blended Finance Facility and (ii) local currency financing through the PSW Local Currency Facility.

[4] IDA countries in this section use the World Bank's definition, which is based on the country's relative poverty defined as gross national income per capita below an established threshold. Countries classified as FCS in this section are from the group of countries included in the Bank Group Harmonized List of FCS, which the Bank Group releases annually and which aims to inform strategic and operational decision-making within the Bank Group.

[5] IFC counterparts also note that an anticipated regulatory change that would have supported mortgage lending was not enacted.

[6] "New sector" is defined as a sector in a country where IFC has not invested in the 10 years before platform launch or after platform launch except through the platform. We assessed this objective based on evidence from an Independent Evaluation Group analysis of portfolio project data conducted to determine which platform projects were in new sectors.

3 | Efficiency, Risks, and Reporting

Highlights

Platforms have shown gains in lowering average project processing time, with some variation by platform. Average processing time is the only aspect of efficiency on which the International Finance Corporation (IFC) reports.

Use of delegated authority (transfer of project approval authority from the Board to management) increased during the COVID-19 pandemic and was a major source of observed efficiency gains.

Standardizing and streamlining IFC internal processes (for both preparation and approval) under platforms also contributed significantly to time savings.

Platform projects incur lower expected losses—an ex ante risk indicator—in their debt finance compared with the rest of IFC, even after factoring out the effect of International Development Association Private Sector Window blended finance. However, this varies by platform.

Equity investment risk ratings for platforms and nonplatform projects are similar; the IFC Startup Catalyst platform is an important exception.

Platform projects are subject to almost the same up-front due diligence as IFC benchmark projects, with some streamlining.

Platform reporting has evolved over time but has not met the Board of Executive Directors' expectations. IFC has begun to report average Anticipated Impact Measurement and Monitoring scores by platform but does not report on platform-specific credit risk, environmental and social risk and integrity risk ratings, or risk-adjusted return on capital.

A forward look exercise was conducted to guide IFC's future use of platforms. Focus groups obtained original inputs from IFC management and the Board, reflecting on three aspects of future use: (i) extending efficiency gains through delegation and streamlining internal processes, (ii) responding to future crises and global challenges, and (iii) scaling up to reach more International Development Association clients, clients in countries classified as fragile and conflict-affected situations, small clients, new clients, and new markets.

The Board and IFC management agree that the platforms approach can be expanded to build on efficiency gains, but their views on the use of delegated authority differ. The Board saw potential for expanding delegation within clearly defined parameters and with timely reporting of information needed for oversight.

The Board and IFC management both see platforms' value in addressing future crises by allowing a faster response to clients in urgent need of working capital. Both point to the need for dual capacities in future platforms to address short-term needs in crisis and long-term needs in addressing global development challenges and building resilience.

The Board and IFC management agree that platforms can provide efficient and targeted approaches to reaching clients in countries eligible for International Development Association financing, countries classified as fragile and conflict-affected situations, small clients, new clients, and new markets where the average firm and project size is small and therefore does not meet the investment threshold of normal IFC operations.

Efficiency

A major argument for platforms is that they bring more efficient processing through saving time or staff costs or both. Consistent with discussion with IFC management, the Board expects IFC to process projects more efficiently under platforms through expedited processes during project processing (from Concept Note to first disbursement).[1] This implies that it anticipates projects of the same quality as nonplatform projects and with savings in processing time. Clients might not be aware of platforms, but they expect responsive and timely processing of their financing, comparable to sources of alternative finance. Our analysis largely confirms that platforms are associated with quicker processing times and do not sacrifice project quality, but it also raises important questions about how to conceptualize and monitor efficiency.

Processing time is shorter on average for platforms versus nonplatforms, but the time savings vary by platform. Key factors in reducing processing time included delegation of authority and standardization and streamlining of processes. On average, BOP projects were processed two months faster than its benchmark projects, while GHP projects were processed an average of three months faster than its benchmark projects (table 3.1). However, ISC projects took longer to process than their benchmarks, despite time savings from delegation of authority, partly because of the nature of the clients and their required support. ISC clients were mainly first-time fund managers focusing on start-up companies, and therefore ISC provided time-consuming hand-holding to clients, particularly during legal negotiations. In addition, the fund managers faced fundraising delays to achieve a minimum viable fund size. IFC's approach to delegation of authority on a platform-by-platform basis contrasts with EBRD's more blanket approach of applying delegation to all noncontroversial platform projects below a certain value (box 3.1).

Table 3.1. Savings in Preparation Time: Platforms Versus Nonplatforms, FY17–22

Platform	Average Processing Time (months)	Projects (no.)
Case study platforms (with benchmark)		
Base of the Pyramid	12	25
Base of the Pyramid benchmark	14	87
Global Health Platform	15	14
Global Health Platform benchmark	18	22
IFC Startup Catalyst	16	20
IFC Startup Catalyst benchmark	8	19
Non–case study platforms (without benchmark)		
Fast-Track COVID-19 Facility	8	73
Private Equity Co-Investment	10	35
Small Loan Guarantee Program[a]	8	2

Source: Independent Evaluation Group analysis of IFC portfolio data.

Note: IFC = International Finance Corporation.
a. The Small Loan Guarantee Program projects are guarantees in the case of default. Only two projects were disbursed under this platform.

Delegation of authority was the most important source of efficiency gains observed, aiding in crisis response. Use of delegated authority surged in FY20–21 during COVID-19 (figure 3.1). The number of platform projects using delegation of authority fell in FY22 and rose in FY23, led by new platforms, including the Africa, and the Middle East, Central Asia, and Pakistan Venture Capital Platform and the Africa Trade Recovery Initiative.

Box 3.1. Delegation of Authority: The European Bank for Reconstruction and Development Versus the International Finance Corporation

The European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) define delegation of authority similarly, but EBRD applies it differently.

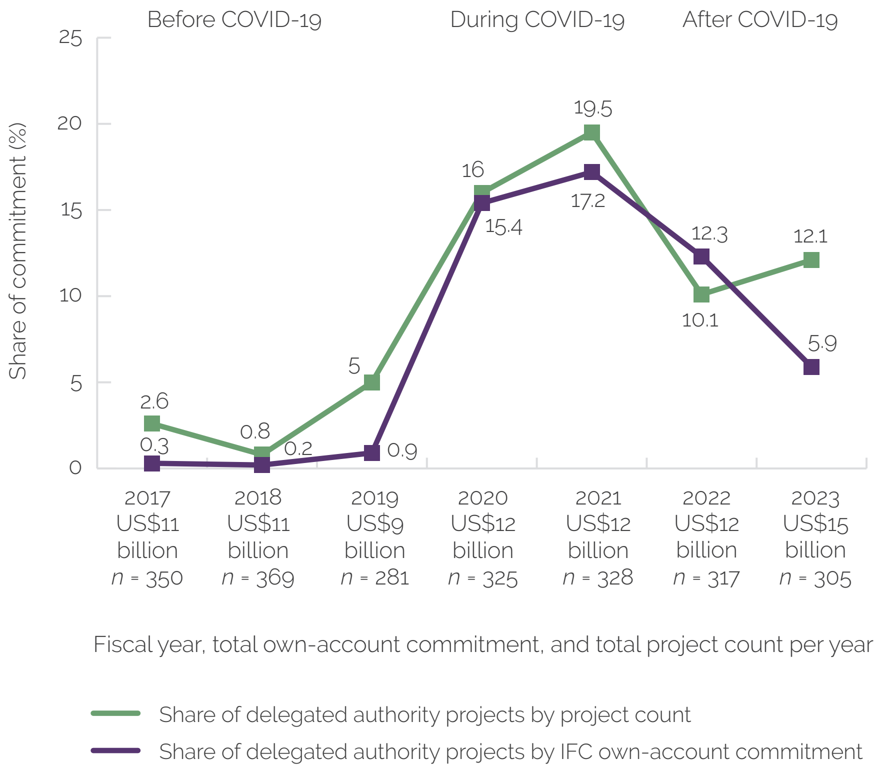
» Within each investment framework (EBRD's equivalent of platforms), the EBRD Board delegates authority to management for all noncontroversial projects of up to €25 million, with no distinction between new and existing clients. EBRD does not have absence of objection. EBRD carries out a substantial volume of such small projects—about 60 percent of projects and less than 15 percent of its financing volume. The EBRD deep dive found that EBRD's Board and operation teams realize time savings of two to three weeks per project through delegation.

» In its June 2022 Approach Paper, *IFC Platforms: Enabling New Business Development at Scale*, IFC established a different indicative threshold from EBRD for platform projects under delegated authority—up to US$25 million of IFC own-account finance for new clients and up to US$50 million for existing clients (IFC 2022b).

» Because of small project size, some IFC platforms (IFC Startup Catalyst) are fully delegated. Other IFC platforms (Base of the Pyramid) have delegation of authority for existing clients and absence of objection for new clients.

Sources: Independent Evaluation Group deep dive on the European Bank for Reconstruction and Development, case and desk studies on platforms, and interviews.

Figure 3.1. Use of Delegated Authority for Platforms Increased During COVID-19



Sources: IFC *Business Intelligence* reports; Independent Evaluation Group.

Note: The figure depicts platform financing. IFC = International Finance Corporation.

Among the case studies, time savings from delegation of authority were most evident for the BOP platform. Transaction leaders of BOP projects estimate that delegation of authority saved them 4 to 6 weeks of processing time by not having to prepare and obtain approval of Board papers. Our portfolio analysis found that 17 BOP projects processed under delegation of authority took an average of only 9 months from Concept Note to disbursement. By contrast, 28 BOP projects processed on an AOB basis took an average of 13 months to process compared with 14 months for BOP benchmark projects.

Although delegation of authority achieved time savings for ISC, overall project preparation time was longer because of the nature of its clients. Negotiating legal agreements took longer because the first-time fund managers it targeted were unfamiliar with legal and technical requirements.

IFC also provided time-consuming hand-holding to these fund managers because of their inexperience. In addition, the fund managers faced fundraising delays to achieve a minimum viable fund size.

Our case studies indicate that standardizing and streamlining IFC internal processes (for both preparation and approval) under platforms also contributed significantly to time savings. In focus group discussions and interviews, both Board advisers and IFC management agreed that efficiency gains were achieved through streamlining and standardization, which was made possible by the platforms' grouping similar projects. Some platforms that introduced a streamlined process included an early look process, which uses a short-form document and accelerated processing, saving time and steps compared with the more detailed Concept Review Memorandum and associated meetings and preparation processes applied to nonplatform IFC projects. Some platforms achieved efficiencies through standardization: mandate letters, Investment Review Memorandums by industry and subsector, deal acceptance criteria for screening investments, and the Anticipated Impact Measurement and Monitoring (AIMM) rating process. For example, both ISC and BOP achieved efficiencies through Investment Review Memorandum forms standardized by industry and subsector. BOP and GHP standardized and streamlined the AIMM rating process. Some platforms also pooled risk across eligible projects using IDA PSW blended finance at the platform level because the blended finance support was embedded in some platforms' design (such as BOP and SLGP). Table 3.2 summarizes the efficiency features of the seven in-scope platforms.

Table 3.2. Efficiency Features of the Seven Platforms

Platform	Delegation of Authority	Procedure Streamlining and Standardization	Risk Mitigation, Including Pooling of Risk in Using Blended Finance
Fast-Track COVID-19 Facility	Investments (existing clients) under each component to be made under delegated authority, balanced by comprehensive reporting to the Board	Streamlined operating model and internal approval processes, including early look, standardized AIMM scores, virtual appraisals, and shorter documentation, and streamlined decisions for lower-risk projects	Worked with existing clients who complied with IFC standards, short maturities for trade-related transactions and Working Capital Solutions loans, and IDA PSW credit enhancement; approvals streamlined, applied IFC's due diligence
Base of the Pyramid	For some projects	Early look process, standard mandate letters, standard form for Investment Review Memorandum, standardized deal acceptance criteria and legal agreements, and coordinated AIMM process	Streamlined processing of IDA PSW; pooled first-loss guarantee under IDA with streamlined concessional calculations and approval process
IFC Startup Catalyst	Transaction leaders all confirmed that time saved from not having to prepare and approve each Board paper was critical	The approval process is the same as for other nonplatform venture capital funds, as are the environmental and social requirements	Under second extension: IDA PSW funds co-invested for three eligible projects; high risk–reward profile because of the focus on start-up companies in markets with underdeveloped venture capital ecosystems; subprojects exposed to significant local currency risk
Global Health Platform	None	Modest efficiency gains, the main source of which was streamlined processes	Financial risks managed through a low-risk profile of clients (large manufacturing companies) and pooling of risk using blended finance and credit rigor

(continued)

Platform	Delegation of Authority	Procedure Streamlining and Standardization	Risk Mitigation, Including Pooling of Risk in Using Blended Finance
Small Loan Guarantee Program	With delegation and streamlining, since start, typical processing time for a project (up to the commitment of funds) dropped from 181 days to about 101 days	Important efficiency gains attributable to streamlining of IFC internal processes, such as use of standardized documentation and pricing and centralized management	Higher riskiness of first-loss guarantee projects balanced by the pooled first-loss structure for IDA PSW Blended Finance Facility
Private Equity Co-Investment Platform	Co-investment envelopes with delegated authority approved for 16 selected IFC-invested funds, totaling commitments of US$284 million; later expanded to allow for up to US$1 billion. Delegated authority allowed one- to two-month reduction in co-investment approval time	Fast, low-cost preparation because of reliance on due diligence and investment decisions by private equity funds' managers; in addition, efficiency gains from co-investments' lower management fees, carried interest	Diversified portfolio risks because of minimal overlap between IFC's traditional portfolio and private equity funds
Côte d'Ivoire Housing Program	Delegated authority was envisioned for phase 2, but the program was dropped	Program dropped early in implementation, so no savings materialized	IDA PSW local currency financing eliminated currency risks, reducing general risk level; followed all relevant due diligence policies and procedures

Source: Independent Evaluation Group platforms approach evaluation of three case studies and four desk reviews.

Note: AIMM = Anticipated Impact Measurement and Monitoring; IDA = International Development Association; IFC = International Finance Corporation; PSW = Private Sector Window.

Current IFC reporting on efficiency has been limited to processing time, whereas a full consideration of efficiency must consider additional factors.

IFC lacks a robust methodology for tracking sources of efficiency improvements or for collecting data related to efficiency by region, department, or platform. Savings in preparation time from mandate to first disbursement may not be the right measure of efficiency gains for several reasons. First, factors outside of the control of IFC or their clients (for example, government approvals, restrictive regulations, legal issues, and local economy problems) can influence preparation time. Second, efficiency needs to consider outputs relative to inputs, not simply time. Instead, efficiency analysis should include the cost-to-income effects of platforms on IFC's financial statements. Such analysis should include cost reductions from process efficiency improvements and effects of changes in projects size and duration and how they interact with direct and indirect costs and affect IFC's profitability.[2] By comparison, EBRD made major investments in streamlining and standardization for efficiency in project processing both within and outside of its investment frameworks (box 3.2).

Box 3.2. Achieving Efficiencies Beyond Platforms: European Bank for Reconstruction and Development Initiatives

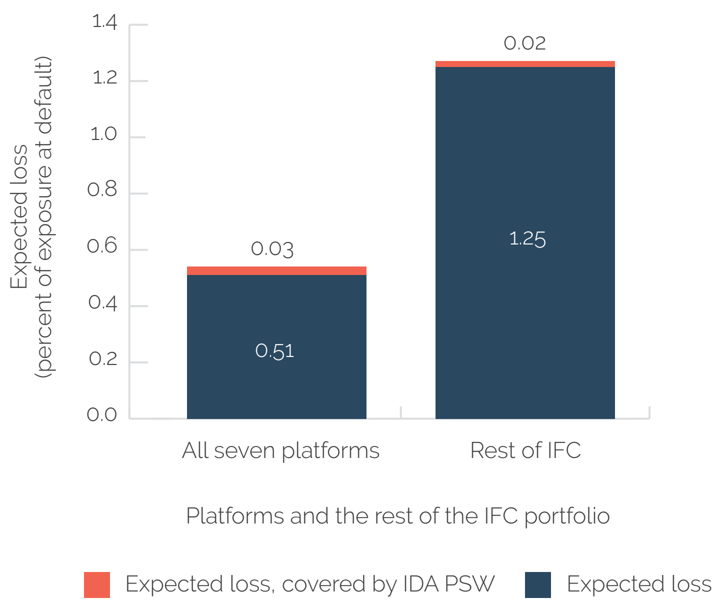
The European Bank for Reconstruction and Development's experience suggests that savings from streamlining and standardization of procedures and documents could be extended beyond platforms with appropriate investments. The European Bank for Reconstruction and Development invested in Project Monarch to simplify its project processing and Project Christopher to automate elements of project processing. The International Finance Corporation has not yet engaged in a similar, systematic, institution-wide initiative, suggesting that savings could be realized through investments in information and technology systems to automate project preparation further and reengineer procedures and processes.

Source: Independent Evaluation Group deep dive on the European Bank for Reconstruction and Development.

Risk

Platform projects incur lower overall expected losses—an ex ante risk indicator—in their debt finance compared with the rest of IFC, even when factoring out the effect of the IDA PSW blended finance. Expected loss is the amount that IFC is expected to lose from a client's potential default on a loan.[3] Platform projects approved in FY17–22 have an expected loss of about 0.51 percent of their total exposure at default ($29 million) compared with 1.25 percent for the rest of the IFC portfolio ($412 million; figure 3.2).[4] In addition, the median expected loss is $121,000 for platform projects compared with $154,000 for the rest of IFC. To a limited extent, the presence of IDA PSW blended finance support can explain this lower expected loss; it compensates a small portion of potential losses to IFC, thus reducing risks to IFC's balance sheet. As noted in chapter 2, some platforms are designed to pool risk across eligible projects backed by an envelope of IDA PSW support, which avoids the need for individual project applications to IDA PSW for support, achieving savings in processing time. However, clearly other factors must explain much of the lower expected risk of platforms compared with the rest of the IFC portfolio.

Figure 3.2. Riskiness of Platforms Versus the Rest of the International Finance Corporation



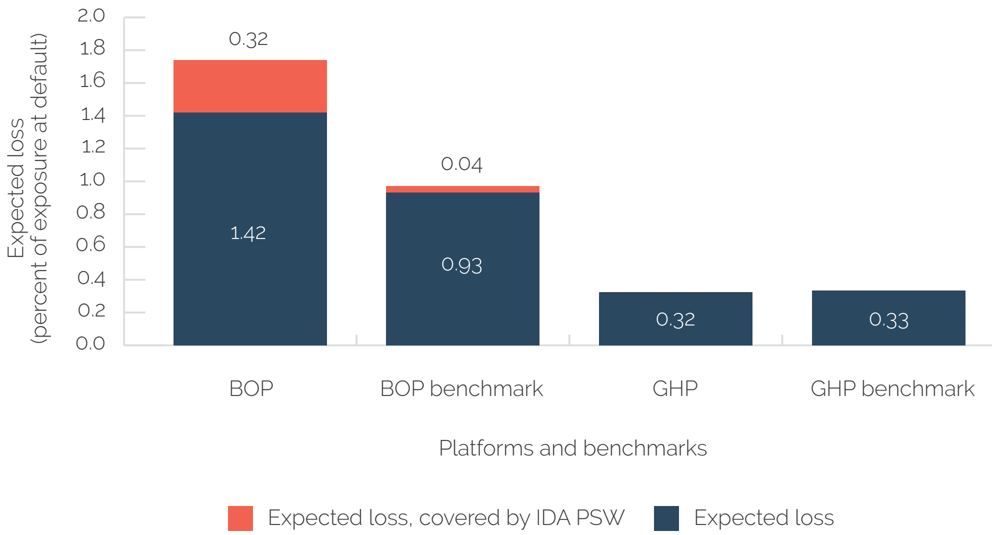
Source: Independent Evaluation Group deep dive on platform risk.

Note: IDA = International Development Association; IFC = International Finance Corporation; PSW = Private Sector Window.

Platform projects in IDA countries are somewhat more likely than nonplatform projects to use IDA PSW guarantees to mitigate risk. For all platform projects in IDA countries, about 33 percent used IDA PSW support compared with only 23 percent for the rest of the IFC IDA portfolio. BOP used IDA PSW support the most among platforms: 71 percent of its IDA country projects used some form of IDA PSW support. As a result of IDA PSW coverage, the expected loss (projected) for platform projects is about 0.03 percent lower and for the rest of the IFC portfolio about 0.02 percent lower.

BOP was riskier than its benchmark because of the beneficiaries it targeted. BOP is a riskier platform with higher expected loss than its benchmark and GHP (figure 3.3). The BOP platform's integrated ability to pool risk and use blended finance efficiently enabled it to take on riskier clients. To illustrate, BOP made local currency loans to two new clients with weak credit ratings (CR-11) in an East African country with the support of IDA PSW blended finance. In a second East African country, BOP provided financing (A and B1 loans) to two new clients with weak credit ratings (CR-11) using IFC's own-account and parallel loans mobilized through the Managed Co-Lending Portfolio Program (IFC's syndications platform for institutional investors). These two microfinance institutions were part of a large group that operated multiple microfinance institutions in Africa. IFC's funding at a critical time was equivalent to about 20 percent of this group's loan portfolio. In addition, during the COVID-19 pandemic, the microfinance sector in most of Africa experienced increases in nonperforming loans and funding restrictions. The BOP platform reached microfinance institutions both with and without blended finance.

Figure 3.3. Riskiness of Platforms Versus Benchmarks, FY17–22



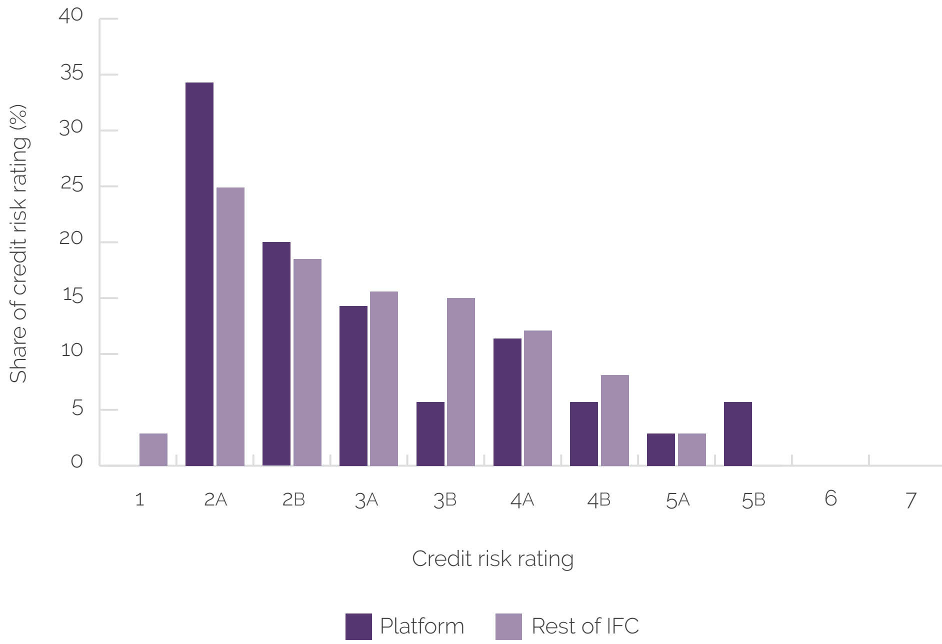
Sources: IFC *Business Intelligence* reports; IFC Investment Risk Platform (credit ratings); Independent Evaluation Group deep dive on platform risk.

Note: BOP = Base of the Pyramid; GHP = Global Health Platform; IDA = International Development Association; PSW = Private Sector Window.

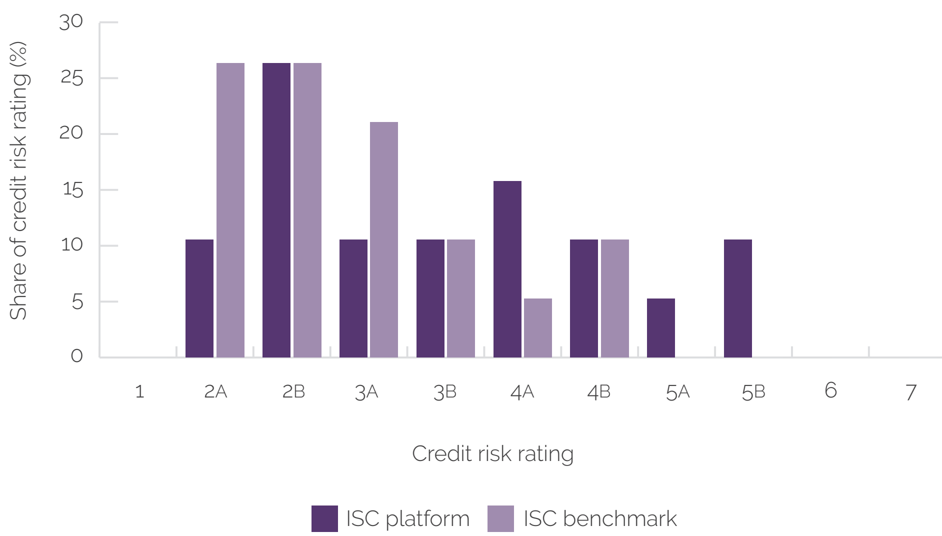
Equity investment risk for platform and nonplatform projects is similar except for the ISC platform. Overall, the platform approach is characterized by equally risky investments compared with the rest of IFC. Risks to IFC's balance sheet stemming from equity investments can be captured through project credit risk ratings (CRRs). The equity CRR scale ranges from 1 (best) to 7 (worst), with 2A being the second-best rating. Platform projects are rated in line with the rest of IFC projects, with a median CRR of 3A for platforms and the rest of IFC. The distribution of ratings for both platforms and the rest of IFC is skewed to the better-rated end of the rating scale (figure 3.4, panel a). However, ISC is riskier (median CRR of 3B) than its benchmark (2B) because of its targeted client base of private equity funds financing start-up companies (figure 3.4, panel b). Another platform that makes equity investments—Private Equity Co-Investment—has a median CRR rating of 2B, less risky than ISC.

Figure 3.4. Credit Risk Rating of Equity Projects, Platforms, the Rest of the International Finance Corporation, and Benchmarks, FY17–22

a. Credit risk rating of equity projects



b. Credit risk rating of equity projects in IFC Startup Catalyst



Sources: Independent Evaluation Group deep dive on platform risk, desk review, and portfolio analysis of risk associated with platform projects.

Note: IFC = International Finance Corporation; ISC = IFC Startup Catalyst.

Country concentration is significant in some platforms, whereas industry concentration is inherent to the focused strategy of platforms. In GHP, two countries account for 60 percent of the total commitments: China (31 percent) and Brazil (29 percent). In addition, five countries in GHP account for 96 percent of the total commitments. Similarly, in the BOP platform, three countries account for 52 percent of the total commitments: Tanzania (26 percent), India (13 percent), and the Democratic Republic of Congo (13 percent). By design, some platforms have a narrow focus targeting projects in one industry group. For example, BOP platform projects are all mapped to the Financial Institutions Group, and ISC projects are all mapped to the Disruptive Technologies and Funds group. However, platforms overall are not currently affecting the IFC portfolio's country risk concentration or industry or sector concentrations. Because individual platforms by design exhibit both country and industry concentrations, if IFC scales up the platform approach, concentrations should be monitored carefully.

Platform projects are subject to almost the same up-front due diligence as IFC benchmark projects, with some streamlining. Our benchmarking analysis shows mostly similar due diligence processes (table 3.3). For the three case studies, the Investment Review Memorandum process is the same for GHP, with minor customization for BOP and ISC. The client supervision report adheres to the same standards for GHP and BOP, whereas ISC reporting has a 12- to 24-month initial delay for incubation. E&S reporting is the same as for benchmark projects for new clients in BOP and GHP. For existing clients, BOP and GHP platform projects must meet E&S criteria. E&S reporting is the same for ISC and its benchmark.

Table 3.3. Front-End Due Diligence Process for Case Study Platforms Versus Benchmarks

Due Diligence Process	Base of the Pyramid	Base of the Pyramid Benchmark	IFC Startup Catalyst	IFC Startup Catalyst Benchmark	Global Health Platform	Global Health Platform Benchmark
Concept review	Standard	Same	Same as for other venture capital funds	Same	Standard	Same
Investment review process	Follows all codified Financial Institutions Group processes but uses standardized AIMM ratings, deal acceptance terms, term sheets and covenants, legal agreements, and IDA PSW processing	Same but less standardized; no pooling for blended finance	Investment Review Memorandum: now uses template like nonplatform projects; under 2022 extension, subprojects receive specific AIMM score; offshore centers or tax due diligence, E&S risk, and integrity due diligence follow standard IFC procedure	Follows all IFC procedures; Investment Review Memorandum slightly more customized than for platform	Projects follow all codified IFC policies and procedures. No standardization because of investments heterogeneity; select projects expedited through streamlined AIMM scores and Investment Review Memorandum template	Same; adheres to all IFC standards

(continued)

Due Diligence Process	Base of the Pyramid	Base of the Pyramid Benchmark	IFC Startup Catalyst	IFC Startup Catalyst Benchmark	Global Health Platform	Global Health Platform Benchmark
Client supervision report	Adheres to all standard procedures	Adheres to all standard procedures	Because of funds' incubator nature, little information first 12–24 months; once financial results are available, reported to the Board at market values through the monthly operations report	Similar, but nonplatform projects involve less incubation	Adheres to the standardized client supervision reports and portfolio review processes; equity investments meet all IFC health industry equity requirements; AIMM reporting missing from client supervision report	Same as platform for both loans and equity; adheres to all IFC standards
E&S reporting	For new clients, E&S process is the same as for nonplatform projects	Same as for all Financial Institutions Group projects; intensity based on E&S risks	Began with E&S reporting; added gender advisory support for fund managers	Same; follows all IFC procedures	For new clients, E&S process is the same as for nonplatform projects	Standard; governed by IFC's policies and procedures based on E&S risks

Source: Independent Evaluation Group case studies and benchmarking analysis.

Note: AIMM = Anticipated Impact Measurement and Monitoring; E&S = environmental and social; IDA = International Development Association; IFC = International Finance Corporation; PSW = Private Sector Window.

Reporting and Oversight

Platform reporting has evolved over time but has not met the Bank Group Board's expectations. The Board has made clear that its trust is influenced by accurate and complete reporting at the project and platform levels and assurances that platforms are operating according to agreed targets and guardrails. To fulfill its governance function, the Board's expectation expressed in its discussions of platforms was to receive information on additionality, development impact (AIMM), E&S and integrity risk ratings, credit and equity risk ratings, and risk-adjusted return on capital. Our review of actual reporting shows that reporting was not standardized, and much of what the Board wanted was missing. Regular reports from IFC management to the Board (quarterly and monthly) show commitment volumes (IFC's own account and core mobilization) with links to project data, platform usage and share of IFC's own account across IDA countries and FCS, climate, and gender. IFC recently began to report average AIMM scores for individual platforms in its quarterly reports to the Board. However, there has been little reporting through the Board Operations System or IFC New Operations Portal on the areas expected by the Board.

Similarly, EBRD also provides limited information to its Board of Directors on investment framework projects approved under delegated authority (box 3.3). EBRD reports also tend to be limited to use amounts, average impact ratings and the proportion of projects on track to meet their objectives, and geographic distribution. However, whether the EBRD Board expects to receive anything more than this is unclear.

Box 3.3. European Bank for Reconstruction and Development Reporting to the Board of Directors on Projects Approved Under Delegation

The European Bank for Reconstruction and Development (EBRD) has a more streamlined approach for projects processed through delegated authority than the International Finance Corporation, and its Board of Directors has different expectations. EBRD's Board does not expect to exercise any ex ante control on delegated projects. It forgoes the option to intervene before management's approval of a delegated project. Instead, EBRD management circulates a Delegated Approval Reporting Sheet (a one-page summary of the project) within three days of management's approval. To ensure maximum process speed and efficiency, Board members cannot raise questions, abstentions, or objections on individual delegated projects except to clarify material in the Delegated Approval Reporting Sheet. However, under the Articles of Agreement, a country of operations' right to object to a project on its territory is retained with a deadline of five days after notification of EBRD management approval.

Source: Independent Evaluation Group deep dive on the European Bank for Reconstruction and Development.

Our review of platform-related Board papers indicates that platforms have not consistently established indicators and measurable targets at the platform level in their Board papers as a basis for reporting and oversight. Instead, our review showed gaps in establishing clear and quantifiable indicators at the platform and project levels (table 3.4). However, the ISC platform expansion paper and Côte d'Ivoire Housing Program papers demonstrate better practices by providing both platform level and project level outcome indicators with explicit, quantified targets.

Case studies indicate that the Board has not commented based on information in routine platform reports. Interviews indicate that IFC transaction leaders have not received comments from the Board on monthly operations reports or on Board papers of projects submitted on an AOB basis. For example, IFC transaction leaders for BOP delegated projects did not receive Board comments on any of the monthly operations reports. The lack of comments could indicate either that IFC is exercising its delegated authority consistently with Board expectations or that the Board is not using this information in its oversight.

Table 3.4. Outcome Indicators and Targets Specified in Platform Board Papers: Platform Level Versus Project Level

	Output or Outcome Indicators		Quantified Output or Outcome Targets	
Platform	Platform level	Project level	Platform level	Project level
Base of the Pyramid		X		
Global Health Platform		X		
IFC Startup Catalyst	X	X	X	X
Côte d'Ivoire Housing Program	X	X	X	X
Private Equity Co-Investment	X		X	
Fast-Track COVID-19 Facility				
Small Loan Guarantee Program	X	X	X	

Source: Independent Evaluation Group desk-based review of the seven IFC platforms covered under this evaluation.

Note: IFC = International Finance Corporation.

IFC staff do not find the current reporting requirements for projects processed through delegated authority cumbersome, but feedback from IFC clients on reporting was mixed. In general, interviews with IFC staff and managers found existing reporting reasonable but had some trepidations about any additional reporting (see chapter 4). Regarding clients, BOP clients did not find the reporting requirements cumbersome, and many appreciated IFC's technical assistance with their internal management systems and reporting capabilities. Similarly, GHP clients appreciated IFC's thorough due diligence process but noted a lack of efficiency gains for existing clients because projects were either approved by regular process or AOB but not through delegated authority. By contrast, for ISC, less sophisticated first-time fund managers indicated that the frequency of reporting was difficult for them and their start-up companies to accommodate.

Forward Look: Reflections on Early Experience for Future Use of Platforms

To guide IFC's future use of platforms, we conducted a scenario-based forward look exercise to obtain original inputs from IFC senior management and the Board in focus groups. Participants reflected on three aspects of future use: (i) extending efficiency gains through delegation and streamlining of internal processes, (ii) responding to future crises and global challenges, and (iii) scaling up to reach more IDA and FCS clients, small clients, new clients, and new markets.

Forward-looking discussions on the future use of platforms started from a few stylized findings as presented in chapters 2 and 3. These included the following:

» Findings showing efficiency gains both from delegation of authority and streamlining and standardization of processes within individual platforms

» Findings on EBRD's experience, which suggested potential to extend delegation of authority to small, noncontroversial transactions for existing and new clients

» Findings on the substantial financing (75 percent of IFC's total response) channeled through platforms in response to the COVID-19 pandemic

» Findings on the Board's expansion of delegated authority through platforms as a COVID-19 response to an urgent crisis, with the expectation of timely reporting of platform data on additionality, development impact, risks, and efficiency (Although IFC's platform reporting has evolved, it has not yet met the Board's expectations.)

» Findings on the ability of platforms targeting smaller and riskier transactions to engage with hard-to-reach clients, including transactions in IDA countries and FCS and transactions with small clients, new clients, and start-ups (By pooling IDA PSW first-loss guarantee, BOP engaged with new clients otherwise considered too risky.)

We organized three focus groups to solicit views from advisers to the executive directors on IFC's Board, from IFC's Corporate Strategy leadership team, and from IFC industry directors for industries addressed by the three case study platforms (appendix A). Discussion focused on the future role of the platforms approach in contributing to IFC's efficiency gains through delegation of authority and standardization and streamlining of internal processes; its response to crises and global challenges; and scaling up to reach more IDA and FCS clients, small and new clients, and new markets.

Future Role of Platforms Approach in Achieving Efficiencies

The Board and IFC management agree that platforms can be used to achieve efficiency gains, but their views on delegation of authority differ. Both agree that streamlining and standardization in platforms should be used to reduce delays and costs. However, IFC management regards delegation of authority favorably as a key element of platform efficiency, whereas the Board regards it as neither inherent to nor necessary for platforms to operate efficiently. Both observe that although some platforms did not have delegation of authority (for example, GHP), efficiencies were achieved through streamlined processing and standardized templates for several functions—including early look process, Investment Review Memorandum, and Board papers. This was made possible by platforms' grouping of similar projects. IFC management sees efficiency gains arising from delegation of authority as crucial for approving projects in difficult contexts (including small states) that involve smaller transactions and quick turnaround, especially to respond to crisis and when mobilizing capital from other financiers.

In addition, the Board views delegation as requiring more intense reporting. The IFC Corporate Strategy team points to the ongoing and anticipated improvements in reporting being implemented, including a real-time dashboard.[5] IFC operational management cautions that too much reporting can undermine platform efficiency gains. The Board sees a role for expanding delegation within clearly defined parameters (for example, target clients with good E&S standards and well-defined country, sector, and regional thresholds) and with timely reporting of information needed for oversight.

Future Role of Platforms Approach in Responding to Crises and Global Challenges

Both the Board and IFC management point to the need for dual capacities in future platforms to address short-term needs in crises and long-term needs in addressing global challenges and building resilience. Both see platforms as adding value to IFC by allowing a faster response to its clients in urgent need of financing. IFC management believes that future platforms can be designed to support both short-term response to crisis and longer-term resilience. For example, the BOP platform was created during the pandemic to provide liquidity support to financial intermediaries onlending to MSMEs. After the pandemic, it continued to support them, extending the tenor of its projects from three years to five years to provide them with longer-term support.

In the Board's view, the design of future platforms should consider different performance standards for due diligence, credit risk, and E&S standards, depending on the nature of the crisis. Doing so can help IFC apply appropriate performance standards adapted to the different nature of each crisis (for example, financial crisis, pandemic, food crisis, and so on).

Future Use of Platforms Approach to Reach IDA Countries and FCS, Small Clients, New Clients, and New Markets

Both the Board and IFC management agree that platforms can provide efficient and targeted approaches to reaching clients in IDA countries and FCS, small clients, new clients, and new markets where the average firm and project size is small and thus does not meet the investment threshold of a normal IFC operation. IFC management sees platforms as helping IFC to do more small projects and engage further in IDA countries and FCS through improved process efficiencies that lower processing costs. The Board wants IFC to do more in difficult markets and in small states in the future while upholding its standards.

The Board would consider expanding delegated authority under conditions that strengthen trust, alignment with strategic goals, and appropriate risk assessment. However, the Board wants clear, well-enforced performance standards on due diligence, credit risk, and E&S for clients in IDA countries and FCS, and it sees a need for a clear risk assessment framework for new IFC clients.

[1] For the efficiency analysis, average preparation time from Concept Note to first disbursement for platform projects was compared with stand-alone benchmark projects to analyze efficiency gains.

[2] According to IFC, it monitors its cost of doing business, expressed as monetary resources spent per project, both in and outside of platforms.

[3] Expected loss is defined as the risk of a missed payment (probability of default) times the loss percentage in such an event (loss given default) multiplied by the amount outstanding at default (exposure at default) for projects involving loan-type instruments only.

[4] Significant at 99 percent level of confidence.

[5] At the time of the forward look exercise conducted by the Independent Evaluation Group, the real-time dashboard was implemented. IFC's data (including platforms) went live in the Executive Directors' Data & Analytics Dashboard in early December 2023.

4 | Summary and Conclusions

Highlights

The findings of the evaluation and the forward look led to two Independent Evaluation Group recommendations: one on building on the benefits of platforms revealed in the pilot period and a second on platform reporting rooted in clear results frameworks.

Summary of Findings on the International Finance Corporation's Platforms Approach

IFC platforms have achieved several of the objectives they set out to achieve (response to crisis at scale, engaging with small clients and new clients, engaging with clients in IDA countries and FCS, and engaging in new sectors). However, given the early-stage nature of this evaluation, it is not possible to assess their achievement of outcomes. Their achievements are largely explained by three features of platforms under IFC's approach:

» Operational efficiency, including expedited approval, and streamlining and standardization of internal processes

» Pooling of risk and mitigation of risk using blended finance

» Focusing on specific development challenges

However, the importance of the platforms approach in enabling the achievement of these objectives varies across platforms, and there is no shared articulated program logic on IFC's platforms approach. Expectations regarding IFC platforms sometimes differ among the Board, IFC management, and clients.

Based on expected loss (an ex ante risk indicator), there is no indication that platform projects covered by this evaluation will increase IFC's overall portfolio risk. Comparisons of overall projected expected loss for loans and CRRs for equity investments suggest that the platform portfolio as a whole does not increase IFC portfolio risk.[1] IFC applies similar due diligence to platforms as it does to its stand-alone projects. However, specific platforms (BOP and ISC) serve riskier clients.

Despite significant evolution, challenges remain in aligning reporting with Board expectations. A gap remains in content, format, and frequency between information the Board has stated that it wants and the information that IFC reports routinely. This gap applies to reporting on additionality, risk ratings, and risk-adjusted return on capital. Furthermore, platforms established measurable indicators and targets inconsistently as a basis for reporting and oversight.

Recommendations for the International Finance Corporation's Future Use of the Platforms Approach

The evaluation makes two recommendations on the future use of platforms and on platform reporting and monitoring:

- IFC should extend the approach embodied in its pilot to new platforms that both build on the benefits revealed in the pilot period and enrich and generate new learning on platform performance. Experience to date suggests that platforms can be designed to facilitate small transactions, respond rapidly to crisis, manage risks associated with new clients more efficiently (through pooling of risk and mitigation of risk using blended finance), engage with clients in IDA countries and FCS, and focus on specific global challenges (for example, in health and digital technologies, using lessons from the GHP and ISC platform). In addition, platform design may combine short- and longer-term financial instruments to be prepared for future crises and to address longer-term development needs. A caveat in extending the pilot approach is that individual platform outcomes are not yet known, and the base of experience in this evaluation is both limited and diverse among the seven in-scope platforms. Given the likely scale-up of platform use to address global challenge priorities, incorporating and supporting learning is vital.
- To facilitate oversight of and learning from platforms, IFC and the Board should reach and implement an agreement on the level, content, format, and frequency of reporting on platforms and individual projects within them, rooted in clear results frameworks. The agreement should balance the information that the Board uses for oversight—for example, information on development impact, additionality, risk ratings (credit, E&S, and integrity due diligence), efficiency, and risk-adjusted return on capital—with what IFC can provide feasibly. Despite progress, a gap remains between the information the Board has stated that it wants in discussions on individual platforms and the information IFC reports routinely. IFC systems could be updated to fill this gap at agreed periods. Furthermore, Board oversight and IFC's monitoring and evaluation of platforms should be based on results frameworks (consistent with each platform's program logic) with specific

indicators and quantifiable targets agreed to with the Board when individual platforms are approved or extended.

[1] Riskiness is measured based on the expected loss (projected), which is defined as the risk of a missed payment (probability of default) times the loss percentage in such an event (loss given default) multiplied by the amount outstanding at default (exposure at default) for projects involving loan-type instruments only. For equity finance, riskiness is measured by the distribution of CRRs for equity projects.

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APPENDIXES

Independent Evaluation Group

Early-Stage Evaluation of International Finance Corporation Platforms Approach

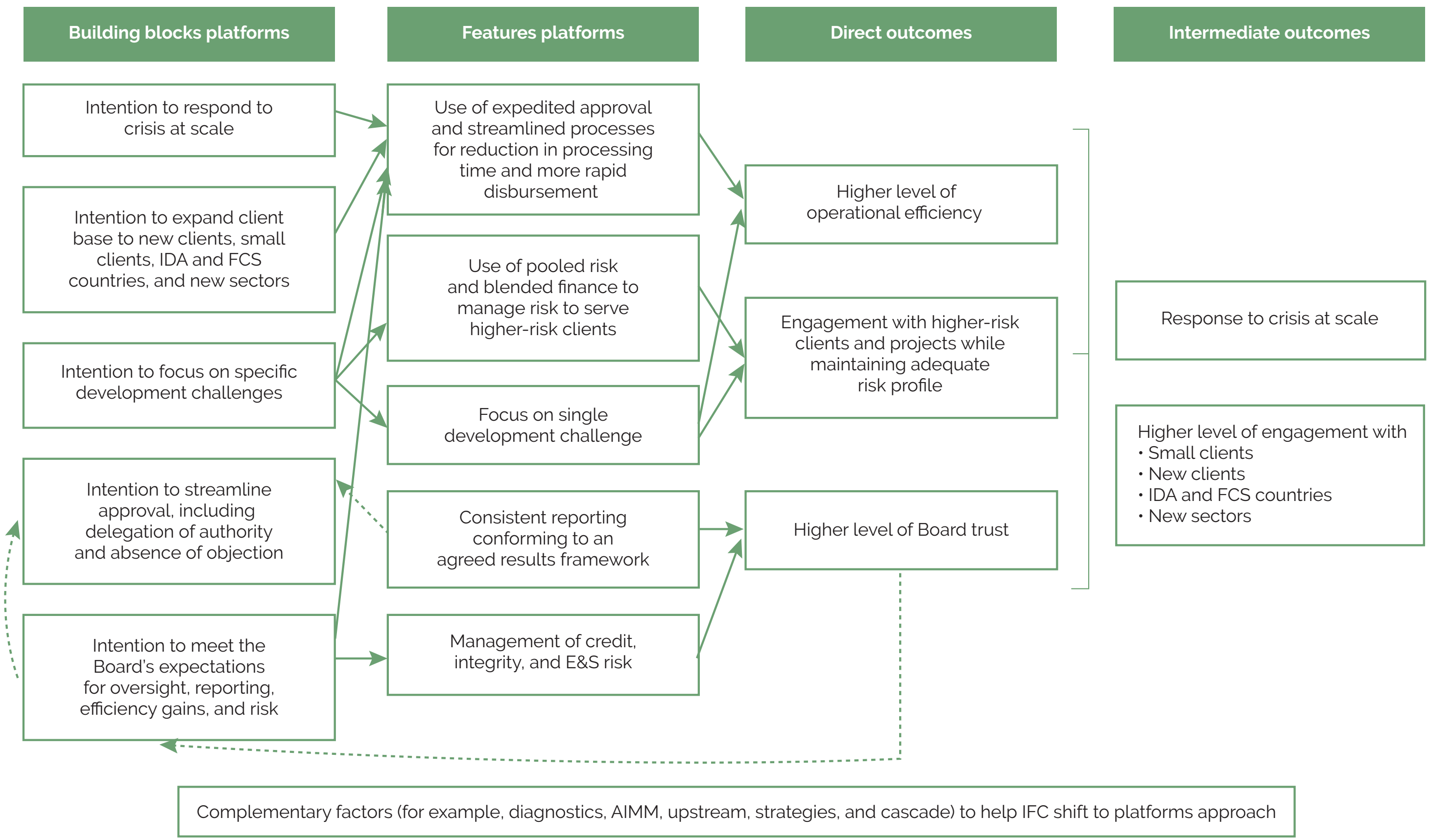
Appendix A. Methodology

Evaluation Design Framework

How the International Finance Corporation (IFC) platforms are intended to work has not been articulated fully and lacks shared perspective. The Independent Evaluation Group (IEG) reconstructed the program logic on the basis of desk review (for example, Board papers) and interviews.

The evaluation's program logic explains how the platforms approach could allow IFC to achieve its strategic objectives while meeting the Board's and clients' expectations, discussed in the Approach Paper for this evaluation, *International Finance Corporation Platforms Approach: Addressing Development Challenges at Scale* (World Bank 2023b). This evolved during the evaluation to a focus on specific objectives pursued by the evaluation's seven focal platforms. The evaluation program logic (figure A.1) shows the connections among development objects, key features of IFC's platforms approach, and its direct and intermediate outcomes (objectives). Both development challenges and development outcomes are outside of the scope of the evaluation because we cannot yet measure the impact of the platforms approach, which IFC launched relatively recently and on a pilot basis.

Figure A.1. Evaluation Program Logic



Source: Independent Evaluation Group.

Note: AIMM = Anticipated Impact Measurement and Monitoring; E&S = environmental and social; FCS = fragile and conflict-affected situations; IDA = International Development Association; IFC = International Finance Corporation.

The program logic centers on key objectives that platforms were pursuing as stated in their Board papers. Within this program logic, efficiencies realized by platforms through streamlined and standardized internal processes, expedited project processing, and pooling of risks combined with blended finance would allow IFC to respond to crisis at scale and respond to specific development challenges at greater scale, including by engaging with small and new clients, with clients in countries eligible for International Development Association (IDA) financing and countries classified as fragile and conflict-affected situations (FCS), and with clients in new sectors. Systematic reporting and monitoring by IFC and periodic self-evaluations and independent evaluations would enhance trust between the Board and IFC management and facilitate oversight and learning. As IFC applies expedited processing and engages with higher-risk clients and markets, platforms would manage risk through due diligence processes and by using blended finance support to pool and mitigate risk in more challenging markets.

Complementary factors (see figure A.1) facilitate the platforms approach. In its efforts to achieve its 2030 capital increase targets, IFC has already developed several complementary tools or initiatives to create the conditions for success of the platforms approach. These include, for example, Expedited Processing for Existing Clients Operational Procedure, IFC's upstream approach, and IFC sector deep dives. Some of these parallel initiatives—Country Private Sector Diagnostics, country strategies, the cascade approach, and Anticipated Impact Measurement and Monitoring—are the subjects of parallel IEG work.

Appropriate design and implementation of the platforms approach's key features were expected to result in important direct corporate outcomes. The platforms approach could contribute to a higher level of corporate efficiency (for example, faster response to clients), engagement with higher-risk clients while maintaining an acceptable level of corporate risk, and adequate monitoring and reporting by IFC management to the Board to permit oversight and build trust.

By achieving these direct corporate outcomes, IFC was expected to better achieve the desired intermediate outcomes. These outcomes include response to crisis at scale and a higher level of engagement through small transactions, with new clients, in IDA countries and FCS, and in new sectors.

The relationship of platforms approach features to intermediate outcomes is also captured in a series of hypotheses elaborated during the evaluation.

Evaluation Scope and Questions

The evaluation assesses IFC's platforms approach for platforms approved by the Board from FY 2017 to FY22 and, in several dimensions, through FY23. The evaluation period is from July 2017 (beginning of FY17) to June 2022 (end of FY22). In response to the request from several executive directors, we also included subprojects approved in FY23 for the seven active platforms included in scope for both efficiency and risk analysis. Table A.1 summarizes the portfolio of projects under each platform. The combined number of approved projects of the Global Health Platform (GHP), Base of the Pyramid (BOP), and IFC Startup Catalyst (ISC) case study platforms for FY17–23 was 87 and the combined investment services commitments, including core mobilization, was $2.85 billion.

Table A.1. Evaluation Portfolio

Platform	Board Approval FY	Platform Envelope (US$, billions)	Approved Projects (by June 30, 2023	Commitments, Including Core Mobilization (US$, billions)	Disbursed (US$, billions)[a]
IFC Startup Catalyst[b]	FY17	0.1	20	0.05	0.03
Global Health Platform[b]	FY21	4	22	2.0	1.1
Base of the Pyramid[b]	FY21	1	45	0.8	0.5
Private Equity Co-Investment	FY17	0.3	49	0.3	0.3
Small Loan Guarantee Program	FY18	0.4	25	0.2	0
Côte d'Ivoire Housing Program	FY19	0.1	4	0	0

(continued)

Platform	Board Approval FY	Platform Envelope (US$, billions)	Approved Projects (by June 30, 2023	Commitments, Including Core Mobilization (US$, billions)	Disbursed (US$, billions)[a]
IFC's Fast-Track COVID-19 Facility	FY20	8	101	10.6	5.9
Total		13.9	266	14.0	7.8

Source: Independent Evaluation Group case studies and portfolio review.

Note: IFC = International Finance Corporation.
a. Disbursement data are as of June 30, 2023. All platforms, except Private Equity Co-Investment, used the support of International Development Association Private Sector Window blended finance.
b. Case studies.

The following in-scope platforms were approved by IFC and the Board between FY17 and FY22 and are in full compliance with IFC's 2022 papers to the Board defining platforms:

- ISC provides seed-stage funding mechanisms through equity and quasi-equity instruments and targets entrepreneurs (including women) and their early-stage companies.
- GHP aims to increase the supply of health-care products and services in developing countries using investments through IFC's own account and mobilization from commercial banks and development finance institutions and targets manufacturers, suppliers, and service providers.
- BOP supports certain IFC clients in good standing—microfinance institutions, nonbank financial institutions, and banks with sound fundamentals and that focus on micro, small, and medium enterprises (MSMEs) using investments in MSME-focused financial service providers—and targets MSMEs.
- Private Equity Co-Investment uses co-investment envelopes in private equity funds to target growth equity funds, venture capital funds, and sector funds.
- The Small Loan Guarantee Program aims to reach small and medium enterprises (SMEs) in IDA Private Sector Window (PSW) countries, including

FCS, using Risk-Sharing Facilities; it targets SMEs, very small enterprises, women-led SMEs, early-stage SMEs, SMEs involved in climate activities and agriculture, and high-growth SMEs.

» The Fast-Track COVID-19 Facility supports private sector companies in response to the COVID-19 pandemic using Working Capital Solutions, the Real Sector Envelope, and the Global Trade Liquidity Program and targets existing IFC clients across sectors and countries dealing with the spread of COVID-19.

» The Côte d'Ivoire Housing Program aimed to support affordable housing in Côte d'Ivoire using developer and mortgage financing with participating banks; it targeted selected developers and homebuyers. (This platform did not have commitments and was dropped in July 2022.)

This evaluation sought to answer three evaluation questions:

1. To what extent do the IFC platforms achieve their objectives, specifically (i) responding to crisis at scale, (ii) engaging with small clients and new clients, (iii) engaging with IDA countries and FCS, and (iv) engaging in new sectors?

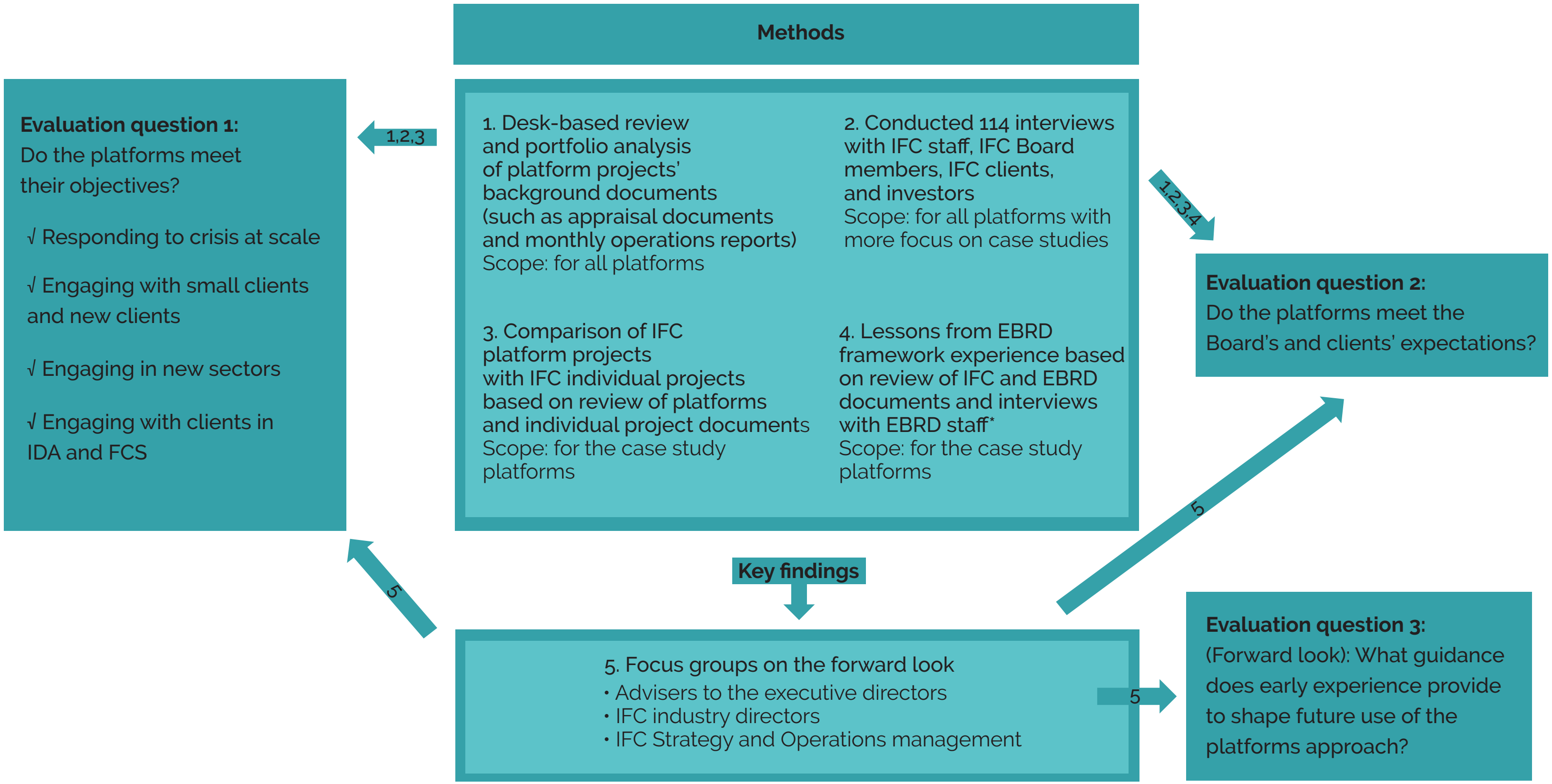
2. To what extent does the IFC platforms approach meet the Board's and clients' expectations on oversight, reporting, and efficiency gains while balancing risks and benefits to enhance trust over time?

3. What guidance does the early experience of platforms provide IFC in shaping future use of the approach?

Evaluation Methods

We used qualitative approaches—including case studies, interviews, and a forward look exercise—to answer the three evaluation questions (figure A.2). The evidence for evaluation questions 1 and 2 was based on case studies, which were based on the triangulation of evidence from desk-based review, benchmarking, and interviews with internal and external stakeholders. The team conducted in-depth case studies of platforms developed in the prior six fiscal years (FY17–22). This section describes the methods for case study selection and analysis (desk-based review, internal and external interviews, and benchmarking).

Figure A.2. Evaluation Design



Source: Independent Evaluation Group.

Note: EBRD = European Bank for Reconstruction and Development; FCS = fragile and conflict-affected situations; IDA = International Development Association; IFC = International Finance Corporation.

* EBRD lessons were primarily used to answer evaluation question 2.

Case study selection. We assessed the platforms approach through the lens of three IFC platforms (through in-depth case studies) that were approved by the Board during FY17–22: GHP, BOP, and the ISC Facility. The three platforms were identified based on three criteria:

» Timing of platform approvals. Platforms selected were approved over the six-year period (FY17–22) to allow the evaluation to assess both crisis and noncrisis response platforms.

» Coverage of priority themes. For example, selected platforms targeted MSMEs or early start-up companies, enterprises focusing on digital technologies, and enterprises contributing to health-care products or services in response to the COVID-19 pandemic.

» Alignment of subprojects within a theme. This criterion sought alignment with the definition of platforms in the IFC paper discussed by the Board in June 2022 (IFC 2022b) and IFC's follow-up clarification to the Board in December 2022 (IFC 2022a). The selection included platforms with subprojects addressing a similar development objective, for example, tackling health-care supply gaps in developing countries.

IFC management, through consultations, agreed on the three platforms selected for in-depth case studies.

Case study approach. Case studies included desk-based review and portfolio analysis; interviews with IFC staff and management, clients, investors, and project sponsors; benchmarking with nonplatform projects; learning from the European Bank for Reconstruction and Development (EBRD); risk analysis; and efficiency analysis.

Lighter desk studies. We prepared lighter desk studies for the four other in-scope platforms. Each included desk-based review and portfolio analysis and interviews with the platform owners. We gathered additional information through other interviews with IFC staff and management over the course of the evaluation.

Desk-based review and portfolio analysis. For all seven in-scope platforms, we conducted a desk-based review and portfolio analysis of background documents (for example, project approval documents, monthly operations reports, and quarterly reports) and then conducted a deeper review for the three case study platforms. This review provided evidence to understand the purpose, structure, efficiency, oversight, reporting, and risks of each platform.

Case study interviews. We interviewed staff (investment officers, industry specialists, credit and risk officers, environmental and social specialists, blended finance officers, and Anticipated Impact Measurement and Monitoring specialists) who contributed to the design and implementation of projects within the three case study platforms. We conducted 103 interviews that included 54 IFC investment officers, 45 clients or investors (case studies), 3 platform owners, and 1 investor. We also conducted interviews with all clients who consented, which represented 45 out of 53 projects approved in the three case study platforms between FY17 and FY22. An additional project was the subject of interviews for a parallel IEG Project Performance Assessment Report, so we used those interviews as the basis for learning.

Interviews for lighter desk studies. On the basis of the initial findings from the three case study platforms, we conducted additional structured interviews with IFC staff leading the four platforms (four interviews with four platform owners: the Fast-Track COVID-19 Facility, the Côte d'Ivoire Housing Program, Private Equity Co-Investment, and the Small Loan Guarantee Program) outside of the three cases to identify common issues and lessons on the platforms approach. This helped us draw inferences about the platforms approach and indicators (such as efficiency gains, oversight, reporting, and risk) to the universe of IFC platforms approved between FY17 and FY22.

Interviews with stakeholders that were not platform specific. For deep dives on risk and reporting and monitoring, seven interviews included two risk officers, two corporate portfolio staff, and three reporting team staff. We also conducted interviews with advisers to the executive directors of the IFC Board to understand their views and get input on the oversight, reporting, and risk management measures.

This evaluation uses benchmarking and comparison of case study platforms to provide evidence to help answer the first two evaluation questions. Internal benchmarking of the IFC platform projects against similar nonplatform projects was used to answer evaluation questions 1 and 2, and external comparison was used to help understand the answer to evaluation question 2.

Internally, projects for each case study platform were benchmarked against projects approved under the nonplatform IFC approach (stand-alone investment services projects, regardless of their approval process). We selected nonplatform benchmarks with similar objectives, beneficiaries, and industries as platform case studies (table A.2). We compared all platform projects for each of the case study platforms with all nonplatform (benchmark) projects matched to each case study. Selection of the nonplatform projects for benchmarking case study platforms was drawn from all nonplatform IFC investments in the health sector (25 projects) for GHP, all nonplatform IFC investments in financial service providers for BOP (91 projects), and all nonplatform IFC investments in venture capital, private equity, and growth funds for ISC (22 projects).

We sought to minimize limitations in the comparisons, recognizing that identical comparators were not possible. For example, BOP and GHP benchmarks were implemented before these two platforms were launched, and the ISC platform finances smaller projects than individual (nonplatform) comparators.

Table A.2. Case Study Platforms and Benchmark Characteristics

Characteristics and Selection Criteria		Platform	Benchmark
Base of the Pyramid			
Project approval fiscal year, number of projects		FY21–22, *N* = 25	FY17–22, *N* = 88
Objective		Responding to COVID-19 crisis by maintaining access to finance for MSMEs through intermediaries	Support access to finance for MSMEs through financial intermediaries
Relevance to evaluation subquestions (for evaluation question 1)		Responding to crisis, reaching new and small clients, and engaging clients in IDA countries and FCS	
Industry group	Financial Institutions Group	x	x
IFC sectors	Commercial banking: general, microfinance, and SME finance; microfinance and small business; finance companies; noncommercial banking; other nonbank financial institutions	x	x
Beneficiaries		Financial service providers focusing on MSMEs	
Global Health Platform			
Project approval fiscal year, number of projects		FY21–22, *N* = 19	FY17–22, *N* = 24
Objective		Increase supply of health-care products and services	Support health-care product and service providers
Relevance to evaluation subquestions (for evaluation question 1)		Responding to crisis and engaging in new sectors for phase 1; engaging in new sectors for phase 2	
Industry group	» Financial Institutions Group	x	
	» Manufacturing, Agribusiness, and Services	x	x
	» Disruptive Technology and Funds	x	x

(continued)

Characteristics and Selection Criteria		Platform	Benchmark
IFC sectors	» Chemicals, finance, and insurance; industrial and consumer products; textiles, apparel and leather; wholesale and retail trade	x	
	» Health care	x	x
Beneficiaries		Businesses addressing medical supply gap	
IFC Startup Catalyst Facility			
Project approval fiscal year, number of projects		FY17–22, *N* = 20	FY17–22, *N* = 20
Objective		Support early-stage start-ups in digital technologies	Support early-stage start-ups and beyond
Relevance to evaluation subquestions (for evaluation question 1)		Reaching new and small clients and new sectors	
Industry group	» Disruptive Technology and Funds	x	x
IFC sectors	» Collective investment vehicles	x	x
	» Other nonprivate equity funds	x	x
	» Venture capital fund	x	x
Beneficiaries		Early-stage or seed-stage start-ups	

Source: Independent Evaluation Group.

Note: FCS = fragile and conflict-affected situations; IDA = International Development Association; IFC = International Finance Corporation; MSMEs = micro, small, and medium enterprises; SMEs = small and medium enterprises.

To address the limitations, we applied several checks to confirm the validity of comparisons. These checks examined the validity of comparisons regarding the use of IDA and FCS projects, IDA PSW support, regional distribution, country income, investment size, and client type. The checks revealed the following significant differences:

» Fourteen IDA PSW supported BOP platform projects (56 percent) versus 12 projects in the selected benchmark projects (14 percent).

» Non-IDA PSW benchmarking projects were mostly in East Asia and the Pacific, Latin America and the Caribbean, and South Asia. Only one platform non-IDA PSW project was in East Asia and the Pacific, one in Latin America and the Caribbean, and one in South Asia.

» Fifteen percent of ISC platform projects are in IDA countries, whereas 5 percent of selected ISC benchmark projects are in IDA countries.

» Forty-eight percent of BOP platform projects are in Africa, but selected BOP benchmark projects have the most projects in East Asia and the Pacific (25 percent). There is no BOP platform project in Europe, but there are 13 projects in this region in the selected benchmark group.

» ISC had a project in the Central Asia and Türkiye region, whereas the benchmark had none.

» BOP had a higher proportion of projects in low-income countries than its benchmark.

» GHP had a higher proportion of projects in upper-middle-income countries than its benchmark.

We mitigated validity risks by reviewing platform documents and project documents for each platform and benchmark project. Furthermore, benchmarks are not portrayed as strict counterfactuals and instead are used to provide reasonable points of comparison.

For the internal benchmarking, analysis of oversight and reporting was qualitative and involved review of platform-level Board discussions to understand the Board's expectation from platforms regarding reporting of individual platforms. This analysis was followed by desk-based review of IFC's weekly, monthly, and quarterly reporting of platforms to the Board; meetings with advisers to the executive directors; and meetings with IFC staff and management involved in reporting of platforms to the Board. This reporting was then compared with oversight and reporting processes and content for stand-alone (nonplatform) investment projects. Reporting evolved over the evaluation lifespan, so we tried to capture updates.

Analysis of efficiency gains and risks involved quantitative analysis. For the efficiency analysis, average preparation time from Concept Note to first disbursement for platform projects was compared with stand-alone benchmark projects to analyze efficiency gains. Comparisons of credit risk ratings for platforms in relation to stand-alone benchmark projects were used to analyze risks. In these latter two contexts, we applied the following statistical tests:

1. For comparison of the average preparation time from Concept Note to first disbursement between platform projects and IFC stand-alone benchmark projects, we used Cohen's *d* to measure the effect size for the differences in mean between the two populations (Cohen 1988). Cohen's *d* is defined as follows:

   Cohen's *d* = (Group A Mean – Group B Mean) / (pooled standard deviation of groups A and B)

   The rule of thumb criteria established by Cohen for effect sizes are categorized as small ($d = 0.2$), medium ($d = 0.5$), and large ($d = 0.8$). A large Cohen's *d* indicates that the mean difference is large compared with the variability.

   a. For example, in comparing the difference for the BOP platform between projects processed under delegated authority (transfer of project approval authority from the Board to management) and those processed under absence of objection, the Cohen's *d* value was 0.8, corresponding to a large effect size, indicating that delegation was associated with a large effect size in terms of reduced time for processing.

   b. In comparing the difference in processing time between projects processed under the ISC platform and projects in the benchmark group, the Cohen's *d* value was 1.3, a very large effect size, which indicated that the difference in processing time between ISC projects and benchmark projects was very large.

2. For comparison of proportions between two populations, we used Cohen's *h* (Cohen 1988) to characterize the difference between two proportions or

$$\varphi = 2 \arcsin \sqrt{p}$$

probabilities. Cohen's h is defined as the difference between the arcsine transformations of two proportions. The arcsine transformation is defined as the mathematical operation of taking the inverse sine (arcsin) of the square root of a proportion.

It was used to describe the difference between two proportions as small, medium, or large. The rule of thumb criteria established by Cohen are as follows: $h = 0.2$ is a small difference, $h = 0.5$ is a medium difference, and $h = 0.8$ is a large difference.

a. For example, in comparing the proportion of BOP projects engaging new clients to the BOP benchmark projects, and in comparing ISC projects engaging new clients to the ISC benchmark projects, the Cohen's h value for both comparisons of proportions was 0.6, corresponding to a medium-size effect.

b. In comparing the share of BOP projects engaging clients in IDA countries and FCS to the share of projects in the benchmark, the Cohen's h value for effect size was 0.4, corresponding to a small effect size.

3. Our deep dive on risk used a comparison of risk between platform projects and IFC stand-alone projects. To supplement interviews, we conducted a desk review of the probability of default and client supervision reports and a portfolio analysis of credit risk, environmental and social risk, and integrity risk data for platform subprojects. For its quantitative comparison, we started by formulating a null hypothesis that posits no effect or difference between platforms and stand-alone projects with regard to risk in terms of expected loss to IFC.[1] First, we tested for normal distribution of the data. If the data were normally distributed, we used parametric tests to test the hypothesis. If the data were not normally distributed, we used nonparametric tests. By applying these tests (t test or chi-square), we assessed the likelihood of obtaining the observed results under the assumption of the null hypothesis. If the probability (p value) of observing such results by chance was below our predetermined significance level (0.10, 0.05, or 0.01), the null hypothesis was rejected, suggesting a statistically significant finding. We also conducted a qualitative comparison of due diligence between platforms and their benchmarks.

As evidence on evaluation question 2, a second external comparator was used to derive lessons about the platforms approach from EBRD (which refers to its platforms as frameworks). EBRD serves as a useful point of reference because even though it focuses on upper- and middle-income countries, it is more advanced than other multilateral development banks in designing and implementing the platforms approach. During consultations, IFC agreed with IEG that EBRD's investment frameworks provided the best comparator to the IFC platforms approach for the purposes of this evaluation and learning for the future. Such benchmarking is relatively rare and new for IEG. Very few recent IEG evaluations have used other multilateral development banks as comparators for IFC. The recently completed evaluation, *International Finance Corporation Additionality in Middle-Income Countries* (World Bank 2023a), served as a reference in this respect. Such benchmarking allows IFC to understand and learn from the approaches used by another multilateral development bank.

With EBRD's investment frameworks, we could draw some direct qualitative comparisons of two platforms (BOP and ISC) with similar EBRD frameworks.[2] EBRD's Financial Intermediaries Framework, launched in 2015, is similar to IFC's BOP. Like BOP, the Financial Intermediaries Framework lends to financial intermediaries that onlend to MSMEs. Both BOP and the Financial Intermediaries Framework have a delegated authority option. New clients in BOP are approved on absence of objection. EBRD's Early-Stage Innovation Facility, launched in 2014, and the Venture Capital Investment Program, launched in 2011, are similar to ISC. The Early-Stage Innovation Facility invests in early-stage venture capital funds. The Venture Capital Investment Program provides small direct equity investments in companies needing venture capital. ISC, the Venture Capital Investment Program, and the Early-Stage Innovation Facility all have delegated authority as a standard feature. Because EBRD has not invested significantly in health care, EBRD does not have a suitable comparator for GHP. Table A.3 summarizes similarities and differences between selected IFC platforms and EBRD frameworks.

Table A.3. Selection of the European Bank for Reconstruction and Development Frameworks for Comparison

IFC Platform	Comparable EBRD Framework	Similarities	IFC Platforms Investment Size or Commitment Amount	EBRD Frameworks Investment Size or Commitment Amount
BOP	FIF	FIF lends to financial intermediaries that onlend to micro, small, and medium enterprises Both BOP and FIF have a delegated authority approval option	Investment size: US$12 million to US$17 million Total commitment: US$0.8 billion (as of FY23)	Average investment size: €9 million to €10 million Total commitment: €750 million (as of FY18)
ISC	VCIP ESIF	VCIP provides small direct equity investments in companies needing venture capital ESIF invests in early-stage venture capital funds. ISC, VCIP, and ESIF all have a delegated authority approval option	Investment size: US$2 million to US$5 million Total commitment: US$50 million (as of FY23)	VCIP investment size: €2 million to €15 million for VCIP I and II and less than or equal to €25 million for VCIP III; total commitment: €500 million (as of FY22) ESIF investment sizes: less than or equal to €10 million for ESIF I and less than or equal to €8 million to €15 million for ESIF II; total commitment: €300 million (as of FY22)

Sources: Independent Evaluation Group EBRD deep dive and platform case studies.

Note: BOP = Base of the Pyramid; EBRD = European Bank for Reconstruction and Development; ESIF = Early-Stage Innovation Facility; FIF = Financial Intermediaries Framework; IFC = International Finance Corporation; ISC = IFC Startup Catalyst; VCIP = Venture Capital Investment Program.

The comparison between IFC platforms and EBRD frameworks was based on desk-based reviews and interviews with EBRD staff. We compared the processes each of the institutions used to process platform projects. For example, in terms of efficiency gains, we found that EBRD made significant investments to upgrade its information technology systems (Project Monarch) and reengineered procedures and automated processes (Project Christopher) wherever possible to accelerate approval of frameworks. We did not make direct quantitative comparisons of process efficiency between the two institutions. In terms of reporting, we found that both EBRD and IFC provide limited information to their Boards on platform projects.

Forward Look Exercise

This innovative method used tools of scenario analysis to help IFC incorporate evidence and learning from evaluation questions 1 and 2 into its consideration of whether or how to use platforms in likely future states of the world. The first step was to identify key external and internal factors that are likely to vary in important ways that influence the future context for IFC platforms and their utility. External factors focus on uncertainties about the future state of geopolitics, energy and food availability, climate, and other factors that could influence the circumstances under which IFC seeks Board authorization to develop new platforms. Internal conditions within IFC could also be considered, including its own priorities and understanding between the Board and management.

On the basis of the findings and lessons from the three case study platforms and identification of key factors, our second step was to develop a forward look by considering the likely future states of these internal and external conditions. This process involved constructing simple scenarios. After this, our final step was to derive an understanding of the potential role and contribution of platforms to corporate results and to meet the Board's and clients' expectations. Three focus group meetings conducted in January 2024 informed this step. The purpose of the focus group meetings was to gather inputs on the way forward, inform consideration of future IFC platforms, and identify ways to evaluate them. Using an expert facilitator, participants were asked how, in alternate scenarios, platforms could contribute to the IFC 3.0 strategy and to the capital increase targets with regard to

(i) extending the delegation of authority, (ii) responding to compounding global crises, and (iii) scaling up to reach new clients and new markets. One focus group consisted of advisers to the executive directors of the IFC Board, and a second was composed of managers and staff from IFC's Corporate Strategy and Operations management team. A third was composed of IFC industry directors for the three case study platforms. The focus groups involved 20 senior advisers and advisers to the executive directors, 3 IFC industry directors, and 6 members of management and staff from IFC's Corporate Strategy team. As part of the forward look, principles were identified for future self-evaluations and independent evaluations of individual platforms.

Limitations

As an early-stage evaluation, we examined early evidence on platforms as an approach rather than focusing on the effectiveness of individual IFC platforms and their development outcomes. We could not measure development outcomes or compare them with what IFC achieved outside of platforms. The direct and intermediate outcomes hypothesized in the program logic and tested in this evaluation are limited to process outcomes (for example, efficiency gains and outreach). In addition, the fact that the base of experience in this evaluation is both limited and diverse among the seven in-scope platforms in some cases affects the generalizability of findings. Although several platforms have objectives of reaching small clients, this evaluation could capture only investment (transaction) size. Client size in terms of assets, sales, or employees is not available universally. Limitations to the case study platform benchmarking exercise were addressed through the use of checks and by not using benchmarks as strict counterfactuals but rather as reasonable points of comparison. IEG's methodology on new sectors compares the sectors IFC invested in using platform projects with the sectors IFC invested in without platform projects to identify sectors that IFC has only ever invested in via platforms (that is, new sectors). Already implicit in this analysis is a comparison of the sectoral distribution of platform versus nonplatform projects, obviating the need for further benchmarking. Indeed, this approach cannot be used to generate a "new sector" estimate for nonplatform benchmarks.

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[1] Expected loss is defined as the risk of a missed payment (probability of default) times the loss percentage in such an event (loss given default) multiplied by the amount outstanding at default (exposure at default) for projects involving loan-type instruments only.

[2] EBRD originally introduced a platformlike mechanism called multiproduct facilities in the mid-1990s that had a degree of delegation of approval authority from EBRD's Board to its management. Multiproduct facilities grouped projects and their processing relating to a single client, but they later evolved into broader "investment frameworks," which grouped projects of a similar nature for multiple clients within a financial envelope approved by the EBRD's Board. Investment frameworks were primarily a response to the long project periods related to EBRD's project preparation.

Appendix B. Overview of Platform Detailed Case Studies and Lighter Desk-Based Case Studies

This appendix provides an overview of the three detailed case studies carried out for selected focal platforms and the four limited desk-based case studies carried out for the other in-scope platforms. The in-depth case studies benefit from specific analysis of mobilization and scale-up, efficiency, oversight and reporting, and risk.

Detailed Case Studies

Base of the Pyramid Case Study

Background, Rationale, and Relevance

The Board of Executive Directors of the World Bank Group approved the Base of the Pyramid (BOP) platform on February 4, 2021, as an incremental facility to the Fast-Track COVID-19 Facility (FTCF). The Board approved the International Finance Corporation (IFC) FTCF on March 17, 2020, to provide immediate relief to existing clients and to deliver fast and flexible solutions across sectors and countries dealing with the spread of COVID-19. IFC wanted to address significant unmet financing needs for clients at BOP, including micro and small enterprises and low-income households, and demand for liquidity was strong from financial service providers focused on serving this segment. The program was designed to enable this market segment to receive immediate liquidity support from their lenders and to provide longer-term funds to support their recovery as their countries emerged from the COVID-19 pandemic and resumed progress toward normal economic growth. The BOP platform was presented as a follow-on to the FTCF because IFC wanted to wait long enough to take an informed view of the financial condition of BOP financial service providers before committing substantial new exposures to this client segment. The platforms approach was adopted to ensure efficient and effective scale-up of lending to this segment, which involved processing a number of small transactions, many of which were in challenging markets that were made more challenging by pandemic-created uncertainties. Platform-level International Development Association (IDA) Private Sector Window (PSW) support was sought where applicable, along with delegated authority (transfer of project approval authority from the Board to management) for processing investments with existing clients.

Mobilization and Scale-up

As of April 30, 2023, and after two extensions, the BOP platform had committed $521.8 million own account, of which $338 million is in countries that received financial support during the 17th Replenishment of IDA (IDA17) and countries classified as fragile and conflict-affected situations (FCS); 53.9 percent of exposure is in Africa. The platform also mobilized $105 million, of which $85 million is in IDA countries and FCS. IFC also reported that more than half of the portfolio reached women entrepreneurs. Approximately one-third of the BOP projects engaged with new clients (compared with one-quarter for nonplatform benchmark projects). As of April 2023, after a little more than two years of operation, 30 projects have been financed—12 under delegated authority to existing clients and 18 under the streamlined Board absence of objection process. The average Anticipated Impact Measurement and Monitoring (AIMM) score of projects was 54.

The ability to onboard new clients in IDA countries with PSW support helps IFC expand to reach a number of new business opportunities that would not have been available otherwise. The platform's process efficiency (see the Efficiency section in this appendix) and the IDA PSW support enable IFC to do deals in markets where it is challenged by local currency access and where clients need local currency. Furthermore, IDA PSW allows IFC to take higher exposures per client.

Efficiency

A key goal of the BOP platform was to achieve efficiency in processing BOP investments. However, like all IFC platforms reviewed at the time of this evaluation, no efficiency benchmark was established against which improvements in efficiency could be measured beyond time to approval and to disbursement. Efficiency was considered important to reducing operating costs, improving response time to clients, and delivering a higher number of projects with the same level of human resources. The COVID-19 pandemic added urgency.

At the same time, it was recognized that efficiency would not be achieved at the cost of the integrity and rigor of the IFC investment process, including due diligence, credit review, environmental and social (E&S) and other policy considerations, and rigorous decision-making based on all the required inputs. No compromise was evident on the governance of the IFC investment process in terms of decision-making processes and information and reporting to the relevant stakeholders, including IFC management and the Board. Efficiency gains were achieved primarily in projects with existing clients that could be processed under delegated authority.

The Independent Evaluation Group's analysis showed efficiency gains through lower average time for processing projects. A detailed analysis of the time spent on various stages of the IFC investment process showed that the time savings came mainly from the ability to approve projects at the IFC management level without having to go to the Board. Other sources of efficiency included the early look process, standard mandate letters, standard form of Investment Review Memorandum books, a better coordinated AIMM process between the AIMM and investment teams, more efficient processing of the IDA PSW support using the platforms approach methodology, and a streamlined processing format. IFC does not have a process for tracking efficiency, and therefore improvements are hard to quantify. Not all improvements are related to the platforms alone because they originate from broader process improvements, but each can contribute to efficiency under the right conditions. Staff engaged in the platform reported that delegated authority saved four to six weeks of processing time for repeat clients and that standardization of internal processes—client acceptance criteria, AIMM processes, and legal agreements—also helped. A system of pooled first loss under IDA streamlined the concessionality calculations and approval process under the IDA PSW. Interviews with existing clients provided clear feedback that IFC had improved over the years in its efficiency and response time, especially compared with other development finance institutions.

At the same time, it was recognized that onboarding and processing smaller clients reduced overall efficiency. The processing costs of such small deals with new clients are very high, which makes these projects financially unattractive to IFC because these costs are spread over a very small income stream.

Oversight and Reporting

The platforms approach did not require any changes in the reporting requirements at the client level, whereas standard IFC reporting requirements depend on the type of transaction and type of client. In general, the clients did not find the reporting requirements particularly onerous, and many appreciated IFC's technical assistance with their internal management information systems and reporting capabilities because it helped them to get a better picture of their own businesses. IFC did not consider the additional reporting requirement for delegated authority projects under the monthly operations report to be onerous and complied with it, and the Board did not raise any issues. Interestingly, the Board did not comment on any of the monthly operations reports, which implies that IFC is exercising its delegated authority in line with the Board's expectations. Broader platform-level reporting is addressed in the cross-cutting report on oversight and governance in appendix C. Reporting is currently under revision regarding scope, coverage, and information technology issues.

Risk

The BOP platform does not have a material impact on IFC's corporate risk, given the BOP's relatively small size. IFC also did not seek any relaxation in credit standards in the context of the BOP platform and continued to process deals in accordance with its normal credit standards and risk management policies and processes. Some risk indicators suggest that BOP's risks are slightly higher than average because of its focus and clientele. Expected loss—a key indicator of risk—at 1.5 percent exposure at default is higher than for other platforms and compared with benchmark nonplatform projects. By design, the portfolio is concentrated in financial markets and thus lacks diversification across industries.

However, the sectoral, geographical, market segment, and other risk management aspects of the BOP platform are subsumed under normal IFC corporate balance sheet risk management processes, and no impact was expected or experienced specifically because of the platform. To the extent that IFC received IDA PSW support for projects processed under the platform as a result, the risk to IFC was reduced, compared with the counterfactual scenario in which such projects might have been taken onto the books without such support. The risk levels for projects that were processed without IDA PSW support were, on initial review, the same as for similar projects processed outside of the platform.

Global Health Platform

Background and Rationale

The Global Health Platform (GHP) was established in response to the urgent need for health-care resources during the COVID-19 pandemic. The private sector alone required an estimated $60 billion to meet the immediate demands of COVID-19, and additional resources would be needed for recovery efforts after the pandemic to engage the private sector in longer-term strengthening efforts. GHP, launched in July 2020, aimed to provide financing to health-care product manufacturers, suppliers of critical raw materials, and health-care service providers so they could expand capacity for products and services to be delivered to developing countries.

GHP fit into a larger global COVID-19 response and efforts to build resilience after COVID-19. The platform's objectives include supporting the private sector in meeting urgent COVID-19 needs, increasing health-care product manufacturing and delivery capacity, and enhancing the resilience of developing countries' health systems by diversifying supply chains. GHP engages with select clients that have the potential to increase regional and local manufacturing. GHP was intended to allow IFC to enhance efficiencies over its nonplatform project processes through rapid response to the pandemic. The platform had a total investment envelope of $4 billion, including investments on IFC's own account of up to $2 billion and additional investments in the form of B1 and B2 loans of up to $2 billion.

GHP gave visibility to new and atypical sectors and smoothed the approval process internally without compromising due diligence and internal scrutiny. Clients and partners were not aware that their financing was through GHP but recognized IFC's value added to help enhance brand image and increase exposure to investors. Most projects under the platform aligned well with the platform's objectives, focusing on increasing health-care product capacity and enhancing health-care system resilience. In practice, GHP addressed restructuring and recovery efforts to build resilient systems (rather than relief response to COVID-19). However, its theory of change—its account of how its activities linked to challenges and desirable outcomes—needs to be strengthened.

Outcome evidence for GHP is limited. Many GHP projects explicitly mention that they will benefit from the market because support will enable the client to increase its market reach (within the country or regionally). Yet in practice, little is known about market outcomes because of limited measurement to assess results at project closure. Collaboration with the World Bank improved during COVID-19 but remains limited and has been challenging, as was collaboration with other organizations. Efforts are needed to improve coordination between public and private sectors in health care.

Mobilization and Scale-up

Findings show that GHP commitments were significant but considerably less than the $4 billion targeted. At the time of this evaluation, $1.4 billion in IFC own-account financing had been channeled through the platform. GHP increased IFC's health sector commitments by 75 percent over a three-year period, but commitments declined sharply in FY 2023.

GHP expected to create strong partnerships to scale up and mobilize additional resources. Mobilization has been limited—only one subproject mobilized additional funds successfully, although the amount mobilized ($604 million) was substantial. Although GHP mobilization was below expectations, projects performed better than benchmarks in the ratio of core mobilization (19 percent for GHP versus 10 percent for benchmarks).

Efficiency

Efficiency gains have been observed in project processing time and costs, although these savings were modest. Project preparation costs were on average 5 percent lower than benchmarks, whereas staff and consultant time required was on average 7 percent less. Streamlined processes were the main source of these savings, but internal and external challenges sometimes offset these efficiency gains.

Oversight and Reporting

Oversight and reporting involved regular monthly reports to the Board, but certain key metrics such as production of health-care products, supply chain contributions, and specific developmental impacts were not reported systematically. Reporting was lacking on production or contribution to the reduction of market gaps of health-related products or health services in local or regional markets.

Clients were very satisfied with IFC's responsiveness and support in mobilizing institutions. Clients appreciated IFC's thorough due diligence process and noted that new and repeat clients received similar treatment. All clients felt that the reporting was thorough but appropriate.

Financial Risk

GHP has a low risk profile because of its focus on large manufacturing companies in markets in Brazil, China, India, and the Russian Federation. Financial risks are managed through a low risk profile of clients and credit rigor. Expected loss is only 0.3 percent exposure at default, while expected loss for benchmark projects was 0.7 percent. Subprojects face an expected set of economic and sector risks, such as foreign exchange risk and risks arising from stockpiling, regulatory uncertainty, and competition. GHP has substantial geographic concentration, with the five largest country exposures constituting 96 percent of total exposure and the two largest ones accounting for 60 percent (China at 31 percent and Brazil at 29 percent). IFC has generally been able to manage these risks. Despite mitigation measures, one of the biggest subprojects realized some identified regulatory risk when a company did not receive government approval for vaccine distribution. As a result, the project did not disburse and was being restructured. Strong sponsors and a well-diversified overall IFC portfolio were the most common mitigants. Riskier smaller subprojects used blended finance to help de-risk projects to an acceptable level.

In summary, GHP has contributed to addressing health-care challenges but could improve in efficiency, collaboration, and reporting.

International Finance Corporation Startup Catalyst Program

Background and Rationale

IFC Startup Catalyst (ISC) was initially approved in 2016 with a fund of $30 million to support entrepreneurs and early-stage companies across emerging markets. It aimed to address known funding and knowledge gaps in the early stages of venture capital ecosystems. The platform rationale was to invest in projects with strategic priorities aligned with the general catalyst program: supporting entrepreneurship in nascent markets, contributing to expanding the venture asset class in these markets, and creating employment. The main funding instruments are equity and quasi-equity instruments. As of December 2022, ISC had invested in 19 accelerators, incubators, seed funds, and other similar vehicles and structures (seed-stage funding mechanisms), which then invested in more than 1,200 start-ups across 24 different countries. (These start-ups have reportedly raised $4.5 billion in follow-on financing, even without direct mobilization.) The platform had two extensions: one in June 2020 for an additional $30 million and the most recent in December 2022, bringing the total to $120 million. Of the newly sanctioned $60 million, $48 million came from IFC's own account, and the remaining $12 million was approved through the IDA PSW.

The types of investments that ISC proposed aimed to reduce the emerging digital divide. In addition, the seed-stage funding mechanisms were aligned with IFC's objective to expand the venture capital portion of IFC's existing portfolio strategically. The ISC platform proved effective in reaching new clients that IFC would otherwise have no viable means to engage with financially.

Mobilization and Scale-up

The amount invested in each fund is so small that these investments alone do not make a substantive difference to IFC's capital increase financing and mobilization targets. Nevertheless, scaling up may be possible if the funds and firms financed through its activities become a pipeline of successful candidates for future IFC investments. In many projects, IFC played a catalytic role in bringing other limited partners. ISC does not generate direct mobilization, although the start-up companies it financed reportedly raised $4.5 billion in follow-on financing.

ISC proved an effective vehicle to reach new clients, often in hard-to-reach markets. The ISC platform is a nexus of new markets and new clients. First, its clients are entirely new to IFC. All transaction leaders confirmed that the platform's projects were too small to be approved under IFC's nonplatform approach (ranging from $1 million to $5 million). In addition, ISC engages only with new fund managers. The ISC platform has virtually no repeat clients because usually, by the time ISC client funds raise their next fund, they have grown in size and are no longer eligible for ISC funding. The platform has also reached clients in IDA countries and FCS. During its first phase, about 13 percent of the financing was allocated to IDA countries and FCS and grew to 30 percent in its next phase and 35 percent since 2022. Greater exposure in IDA and FCS countries will rely on increasing the use of blended finance.

Efficiency Gains

The program was designed to disburse funds among seed-stage funding mechanisms across emerging markets. The platform approach was expected to show substantial efficiency gains in preparation time and cost. Delegated authority has contributed significantly toward achieving efficiency gains by reducing preparation times. Transaction leaders of all 19 projects found the time saved by not having to prepare and have each Board paper approved to be of crucial importance in achieving efficiency gains. Overall time and staff savings from delegation are counterbalanced by greater up-front need to provide hand-holding assistance to new fund managers. Even so, the average savings in ISC were 4 percent in preparation cost and 46 percent in staff and consulting time. As with BOP, onboarding and processing smaller clients reduced overall efficiency. The processing costs of very small deals must be spread over a very small income stream.

Oversight and Reporting

The approval process is the same as for other nonplatform venture capital funds, as are the E&S requirements. Reporting is a concern because of high investment risks and the need for informed decision-making by the Board. Quarterly reports are structured at both the platform and the subproject levels. The Board has also proposed real-time tracking through a dashboard mechanism that will provide real-time information and contain key data for each project. Project Concept Notes report various indicators, such as AIMM scores, E&S ratings, blended finance use, and climate and gender targets. The ISC platform, like other platforms, is expected to follow a standardized reporting format. IFC has promised the Board periodic Independent Evaluation Group and Group Internal Audit assessments for all platforms.

Financial Risk

The ISC risk profile corresponded to a typical financial intermediary transaction characterized by credit risks of participating banks with a risk rating of FI-3 (IFC 2012). The high risk–reward profile is because of the project's focus on start-up companies in markets with underdeveloped or no venture capital ecosystems. The subprojects under the ISC are exposed to a significant level of local currency risk. The risk exposure is related directly to the macroeconomic conditions of the regions to which the subprojects cater. ISC's approach to investing in venture capital funds aims to alleviate this risk by helping generate exit opportunities for seed-stage funding mechanism portfolio companies while helping to originate pipelines for later-stage investors. IDA PSW funds were co-invested for three projects eligible for IDA PSW funding under the second extension of the ISC. None of the transaction leaders reported using the IDA Local Currency Facility.

Lighter Desk-Based Case Studies

Fast-Track COVID-19 Facility

Background and Rationale

The FTCF was a crisis response envelope activated quickly in March 2020. It aimed to address the adverse impacts of the COVID-19 pandemic on the private sector across IFC client countries. Funds were made available to real sector and financial institution clients to maintain the cash flows of viable companies. The design of the FTCF was based on the experience of using Global Trade Finance Program for crisis response in 2008–09 and featured full delegation. The FTCF was partially de-risked by IDA PSW support.

Its successful full disbursement may be attributed to its design based on two foundations: (i) speedy approval using delegated authority and improved internal processes (early look, standardized AIMM score, and so on) and (ii) careful risk management through the predominant use of existing clients, short tenors, and de-risking by IDA PSW. Overall, the FTCF has shown its effectiveness as an emergency response tool. The platform mandate expired at the end of FY23.

Mobilization and Scale-up

The total amount approved was $8 billion, divided among four components, with initial availability for two years, later extended to three years. As such, FTCF was responsible for two-thirds of all platform financing in the FY17–22 period. It managed to disburse close to 75 percent of approved amounts within two years, with almost full use by the third year. By the end of February 2022, approximately 43 percent of the committed volume had been deployed in IDA17 and FCS countries. The FTCF's flexibility resulted in a relatively high level of use rate, particularly within the envelopes of the Financial Institutions Response Envelope. Furthermore, the FTCF was responsible for 84 percent of platforms' direct mobilization, amounting to about 3.7 billion in the FY17–22 period.

Efficiency Gains

To deploy the FTCF efficiently, IFC streamlined its operating model and internal approval processes without sacrificing its due diligence and decision-making standards. Innovations included virtual appraisals, shorter documentation, and streamlined decision-making for lower-risk projects. As a result, FTCF projects in FY20 and FY21 moved from mandate to disbursement in 146 median days compared with 318 days for non-FTCF projects during the same period.

Oversight and Reporting

Investments under each component were to be made under delegated authority from the Board, balanced by comprehensive reporting arrangements. Existing clients were expected to benefit from the FTCF, with well-defined exceptions. The reporting format was elaborate and included weekly monthly, quarterly, and annual reports. The FTCF experience informed the 2022 platforms discussion and design framework.

Financial Risks

Overall risks from the FTCF to the IFC corporate portfolio were not substantially higher than from nonplatform operations. Many mitigants were in place, including transacting with existing clients in full compliance with IFC standards, short maturities involved in most of the trade-related transactions and Working Capital Solutions loans, and credit enhancements provided by IDA PSW.

Private Equity Fund Co-Investment Delegated Authority Envelopes

Background and Rationale

In 2016, the Board approved the model of a co-investment envelope (later called a platform) that allowed IFC to co-invest directly in a company in which a private equity fund—in which IFC had already invested—decided to make an investment. Co-investment envelopes with delegated authority were approved for 16 selected funds, totaling commitments of $284 million. The platform was expanded recently to allow for up to $1 billion in commitments.

Mobilization and Scale-up

The co-investment model allowed IFC to deploy additional capital in strategic companies, industries, or geographies, including IDA countries and FCS. This model is of a second-step nature because it follows the initial phase of engaging with selected fund managers with IFC investment. Its benefit lies in scaling up co-investments that diversify the size of companies in IFC's portfolio and provide IFC access to companies it would otherwise not be able to reach, particularly small and medium enterprises (SMEs) in fragile economies. Commitments totaled $284 million FY17–22, with no significant mobilization.

Efficiency Gains

The co-investment model created good opportunities for efficiency gains and scaling up in IDA countries and FCS. Higher speed and lower preparation costs resulted from the fact that IFC relied mostly on due diligence and investment decisions by private equity fund managers. Consequently, the average envelope co-investment approval under delegated authority was processed in four to eight weeks, whereas the absence of objection process for regular equity co-investments generally required three to four months and sometimes up to six months. Additional efficiency gains resulted from the fact that co-investments have lower or no management fees or carried interest.

Additional efficiencies could be realized because of the potential for fast-paced replication of the co-investment model. Co-investments currently reach only about 15 percent of the population of private equity funds in which IFC has invested recently, with the overall proportion of only 4 percent of the commitment value of the private equity funds portfolio.

Oversight and Reporting

IFC follows all the relevant policies and procedures in processing private equity fund co-investments that it follows for nonplatform projects. Regarding the reporting requirements, the private equity fund co-investment approach was approved before the 2022 IFC paper on platforms approach to the Board. Thus, initial reporting parameters were developed on an ad hoc basis within existing reporting mechanisms. Since 2022, the reporting format has followed the generalized platform reporting parameters.

Financial Risks

The concept of private equity fund investment and co-investment envelopes seems to produce a more diversified IFC portfolio than could have otherwise been achieved by means of IFC's traditional direct investments. IFC's traditional portfolio and that of private equity funds do not overlap much, and thus the risk at the portfolio level is lower, even though equity investments are inherently riskier than loans. Overall, IFC's growth equity and venture capital portfolio outperforms the relevant benchmark in financial returns.

Small Loan Guarantee Program

Background and Rationale

The Small Loan Guarantee Program (SLGP) consists of unfunded Risk-Sharing Facilities aimed at supporting lending to SMEs in IDA countries and FCS to contribute to financial inclusion, job creation, and bridging the SME finance gap in vulnerable macroeconomic environments. SLGP was dedicated entirely to IDA countries and FCS, with a focus on the subset of PSW-eligible countries and thus the strong development impact. The intended development impact made SLGP an attractive instrument, while pooling of guarantee coverage also plays an essential role. Consequently, the SLGP represents an important lesson learned on where and how to engage the platforms approach.

Mobilization and Scale-up

SLGP was originally approved in 2018 with a commitment ceiling of a cumulative SME portfolio of $333 million, with an IFC risk amount of $166 million supported by a pooled first loss of $50 million provided by the IDA PSW Blended Finance Facility. The program was later extended to a cumulative SME portfolio of $800 million that included an aggregate IFC commitment of $400 million and $120 million in first-loss guarantee provided by the IDA PSW Blended Finance Facility. IFC's priority was to invest strategically in IDA countries and FCS, where its financing could deliver the most impact on building the capacity of financial sector players to cater to the underserviced SME segment. Of 16 Risk-Sharing Facilities committed and active as of the end of June 2023, 13 were in IDA PSW countries and 11 in FCS countries.

Efficiency Gains

Efficiency gains under SLGP were impressive and arose from two major sources: (i) delegation of authority and (ii) process streamlining and standardization of internal processes. Over the life of SLGP, the typical processing time for a subproject (up to the commitment of funds) was reduced from 181 days to about 101 days. A large part of this gain was attributable to streamlining IFC internal processes, such as its use of standardized documentation and pricing and centralized management. Pooling of guarantee coverage was also an important efficiency factor.

Oversight and Reporting

IFC follows all the relevant institutional policies and procedures in processing SLGP subprojects that it follows for nonplatform projects. Regarding the reporting requirements, SLGP was approved before the 2022 paper defining IFC's platform approach. Thus, initial reporting parameters were developed on an ad hoc basis within existing reporting mechanisms. Since 2022, SLGP's reporting format follows the generalized platform reporting parameters.

Financial Risks

SME investments are inherently riskier than standard IFC projects, so it could be argued that this platform adds to IFC's risk profile. Moreover, the riskiness of first-loss guarantees seems to be even higher. Those factors are counterbalanced by the pooled first-loss structure provided by the IDA PSW Blended Finance Facility. A pooled first-loss counter-guarantee from the IDA PSW facility would reimburse IFC for payouts under any of the Risk-Sharing Facilities included under SLGP up to the maximum first-loss risk amount of $50 million.

Côte d'Ivoire Housing Program

Background and Rationale

The Côte d'Ivoire Housing Program, a facility of up to $100 million for supporting affordable housing in Côte d'Ivoire, was approved on May 16, 2019. The first phase of the program consisted of senior loans of up to approximately $45 million equivalent in local currency to two banks in Côte d'Ivoire. The proposed investment was supported by an allocation from the IDA18 IFC–Multilateral Investment Guarantee Agency PSW.

The program fit with IDA18 themes and targeted the largest low-income IDA and FCS country in the West African Economic and Monetary Union region. It intended to leverage the IDA PSW to provide much-needed long-term local currency financing. This program was considered crucial for the development of Côte d'Ivoire's housing market, which would thus support jobs and economic growth. The structure itself was believed to be quite promising because it combined supply and demand sides and was to be complemented by a strong advisory services component.

The program was canceled without disbursements in December 2022 because one of the only two participating banks withdrew, citing negative price movements in the market, while the second bank failed to restore compliance with IFC's E&S standards. Lessons from that experience suggest that IFC had given too much weight to the Ivorian government's enthusiasm to address its affordable housing challenge and that the design of the platform was extremely narrow (one country, one sector, and just two participating clients). The experience also suggested that the Ivorian banking sector's appetite for developing mortgage financing was overestimated. A broader program with regional coverage and a higher number of participating banks might have been more sustainable. According to IFC, the Ivorian government did not deliver on the development of basic infrastructure (water, electricity, and so on) to service the housing under construction, after an unsuccessful World Bank engagement. This delayed delivery was further affected by the onset of the COVID-19 pandemic. The missing basic infrastructure made the banks hesitant to continue their engagement.

Mobilization and Scale-up

The Côte d'Ivoire Housing Program failed to disburse or mobilize funds. Replication of the program was foreseen from the start, with the anticipation of developing similar approaches for other countries in Sub-Saharan Africa and outside. However, replication did not occur.

Efficiency Gains

The program design was typical for IFC financial intermediary financing. The first phase followed the IFC's standard project preparation procedures and thus would have had no apparent efficiency gains compared with nonplatform processing. Delegated authority was considered for the second phase so that additional subprojects under the program would be exempt from preparing a project document and circulating it to the Board. The program was dropped early in its implementation, and no savings or gains materialized.

Oversight and Reporting

The Côte d'Ivoire Housing Program in its initial phase provided for following all relevant policies and procedures strictly and thus did not differ from nonplatform projects. All approvals for additional subprojects under the program were planned to be reported to IFC's Board in the monthly operations report as part of new business approvals.

Financial Risks

Overall, the risk profile of the Côte d’Ivoire Housing Program corresponded to a typical financial intermediary transaction, characterized by the credit risks of participating banks. The entire program thus was a one-country-one-sector operation with evident potential to concentrate the IFC portfolio geographically and sectorally. An IDA PSW local currency financing eliminated currency risks, thus reducing the general risk level.

Reference

IFC (International Finance Corporation). 2012. “Interpretation Note on Financial Intermediaries.” IFC.

Appendix C. Deep Dive Summaries

Oversight and Reporting

In June 2022, the International Finance Corporation (IFC) agreed with the Board to pilot a new platforms approach and begin to develop a more standardized approach to executing, reporting, and managing platforms with the Board. The primary driver of this shift in business model was based on the belief that the platforms approach could be deployed with greater efficiency, that is, providing faster service to clients at lower cost to IFC, particularly when delegated authority—the transfer of project approval authority from the Board to management—was extended judiciously, when the Board paper preparation and clearance process was reduced, when deal acceptance criteria were defined clearly, and when reporting was standardized and automated.

The Board supported this pilot approach to platforms, but it demanded clear analytics and solid controls to ensure that platforms performed as well as or better than nonplatform approaches. Meeting this demand required rethinking the reporting requirements that would enable the Board to track and evaluate the overall success of the platforms approach against the traditional way that IFC has done business for many years.

The COVID-19 crisis created the demand for a natural experiment in faster processing to meet crisis demand through the Fast-Track COVID-19 Facility and other new platforms that were initiated under the COVID-19 response umbrella. However, these platforms varied—some were standardized with delegated authority as a central feature, and some were not standardized and included no delegated authority.

Platforms had many different reporting approaches. Much of the reporting was simply included in standard Board reports (table C.1), with a special section on commitment volumes under platforms or fast-track facilities. Some platforms had their own monthly reports. Delegated authority was reported separately and included information not found in standard reports.

So far, the proliferation of platforms seems to be increasing IFC's operational complexity and reporting burden.

For projects approved under delegated authority, unlike traditional projects and those approved on an absence of objection (AOB) basis, the Board expects additional reporting. The Board has specifically requested reporting on additionality, development impact, Anticipated Impact Measurement and Monitoring scores, risk, environmental and social (E&S) risk ratings, integrity due diligence ratings, any offshore financial center issues, and International Development Association (IDA) Private Sector Window (PSW) usage on each project. In addition, the Board has requested detailed reporting on how platforms and delegated authority are affecting efficiency.

However, IFC's reporting did not satisfy the Board's request for information on platform additionality, development impact, risks, or efficiency. Reporting was not standardized, and much of what the Board wanted was missing. Regular reports from IFC management to the Board (quarterly and monthly) show commitment volumes (IFC's own account and core mobilization) with links to project data, platform usage, and share of IFC's own account across IDA countries and countries classified as fragile and conflict-affected situations. Although IFC recently began to report average Anticipated Impact Measurement and Monitoring scores for individual platforms in its quarterly Board reports, the methodology used for aggregating the scores at the platform level is unclear. Risk-adjusted return on capital is reported on a portfolio basis, not for platforms. Reporting to the Board still does not include credit risk, E&S risk, and integrity risk ratings. IFC reporting on platform efficiency covers only time for processing, without the evidence base to calculate project costs or profitability. IFC also does not report on indicators (such as cost-to-income ratio) on efficiency at the platform level. Moreover, IFC does not have a robust methodology for collecting data related to efficiency by region, department, or platform or for tracking sources of efficiency improvements.

Table C.1. Standard Reports Received by the Board on Platforms as of June 2023

Frequency	Reporting Channel	Description
As projects are approved (ex ante)	» MOR new item (via INOP and BOS) » + Advanced entry of subprojects in MOR » + Article 3 notifications by subproject	» After initial investment review, before commitment » MOR new item in INOP » MOR new item in BOS » Provides executive directors with time to comment or object before IFC commitment
Weekly	» MOR weekly fact sheet, update on COVID-19 Fast-Track Facility (via BOS and INOP)	» Includes a compiled list of FTCF projects with MOR new items submitted the prior week, plus a summary of the facility use
Monthly	» Delegated authority monthly report (via INOP)	» Summary of delegated frameworks use, including FTCF
Quarterly	» IFC operations report to the Board (IOR via BOS)	» + Dedicated section to the FTCF in quarterly report provides comprehensive view of platform facility's use » + Also included a summary use of other delegated authority frameworks
Annual	» IFC operations report to the Board (IOR via BOS)	» + Dedicated section in quarter 4 report provides comprehensive view of FTCF use with annual retrospective » + A comprehensive list of projects under other delegated frameworks is also included
Periodic	» IEG and GIA assessments at subproject level	» Review of subproject adherence to IFC policy and procedure

Source: Independent Evaluation Group review of IFC reporting.

Note: BOS = Board Operations System; FTCF = Fast-Track COVID-19 Facility; GIA = Group Internal Audit; IEG = Independent Evaluation Group; IFC = International Finance Corporation; INOP = IFC New Operations Portal; IOR = internal operations report; MOR = monthly operations report; + = in addition.

The current IFC reporting architecture is not yet up to the task of preparing systematic analysis of platforms that meet the Board requirements, but this can be fixed easily in many cases. Platform reports lack a common format that would enable more regular, standard, and complete reporting by platform. IFC and the Board have an opportunity to assess how various platform approaches have performed against traditional approaches. By tracking and analyzing empirical evidence, more can be learned about the efficiency and financial results of these different models, rooted in agreement on what reporting the Board requires to govern IFC platforms.

To delegate authority more effectively, IFC and the Board need to agree on new reporting frameworks that will enable the Board to monitor aggregate results more effectively and see clearly what is happening in the IFC portfolio. This is required for the Board to govern IFC responsibly but should also help IFC improve efficiency and impact in a more material way over time.

IFC and the Board need to answer five key questions related to platforms:

» Are platforms more efficient?

» Are platforms more or less risky than nonplatform approaches?

» Are platforms better at applying IDA PSW support?

» Do the financial performance and developmental performance of projects differ depending on how they are processed and approved (for example, full Board, streamlined AOB, or delegated authority)?

» Can lessons from IFC's various platform pilots be generalized and applied more broadly to IFC operations to improve efficiency, additionality, and impact?

European Bank for Reconstruction and Development Investment Frameworks: A Comparison

IFC and the European Bank for Reconstruction and Development (EBRD) are similar organizations that both invest in projects that support private sector development in emerging and less developed markets. However, EBRD’s focus is regional versus IFC’s global reach. EBRD’s span of country per capita incomes is wide, like IFC’s, but it operates mainly with middle-income countries, whereas IFC is increasing its efforts in the least developed countries. EBRD’s shareholder base is predominantly European, and European Union countries hold a majority, whereas IFC’s shareholders involve constituencies from around the world.

EBRD’s frameworks evolved over time. EBRD first introduced the concept of multiproduct facilities in the mid-1990s—and with it a degree of delegated approval to management. These soon evolved into the broader idea of investment frameworks. Multiproduct facilities aimed to bring together under one roof the standardization of projects and procedures relating to the same client, while frameworks did the same for projects of a similar nature, each within a financial envelope approved by the EBRD’s Board. They were primarily a response to the fact that the project preparation burden faced by clients and the EBRD management, staff, and Board was intensive and resulted in long project gestation periods. It was also recognized that most EBRD projects were small and took up as many resources as larger investments. The incentives to pursue projects in smaller and more difficult countries, where projects were mostly of a small size, were lessened by this fact, and scaling up was made more difficult. Pooling efforts on legal documentation, environmental assessments, and other reviews for a set of such projects was seen as an efficient way of managing these issues by exploiting economies of scale.

Investment frameworks are built on the wider notion of standardization of products rather than those offered by the same client. For a small multilateral development bank such as EBRD, frameworks provided an important lever to scale up its business volume and grow its portfolio. Business volume doubled from the mid-1990s to the early to mid-2000s and again from then to the mid- to late 2010s, by which time it had reached an annual rate of more than €10 billion ($11 billion), a scale not dissimilar to that of IFC. Currently, approximately 60 percent of EBRD’s investment operations (about 240 projects per year) are conducted under frameworks—a substantial volume of small projects that together constitute less than 15 percent of its financing volume.

Frameworks allow EBRD to pursue a series of standardized or similar projects in an efficient way without compromising the normal credit, development impact, or other standards and assessments associated with regular transactions. EBRD management's arguments in favor of frameworks covered several areas:

- Reduced overhead costs—a great advantage for smaller projects
- Enhanced efficiency of smaller transactions through delegation
- Increased clarity of purpose, better strategic planning, and more coherent approaches to sector challenges, as well as links with country strategies
- Increased visibility, awareness, and understanding of EBRD activities, with scope for positive demonstration effects and potential knowledge sharing across countries
- Dedicated structures in niche areas, which support specialist skills and knowledge transfer that improve talent acquisition and retention and motivate staff
- Efficiency in mobilizing donor funds for a set of similar projects or projects that fit themes attractive to donors
- Greater leverage for strengthening policy engagements and regulatory, institutional, and legal reforms

IFC's approach to delegation of authority on a platform-by-platform basis contrasts with EBRD's more blanket approach of applying delegation to all noncontroversial investment framework projects below a certain value. The EBRD definition of delegation of authority is similar to IFC's but is applied differently. Within each investment framework (EBRD's equivalent of platforms), the EBRD Board delegates authority to management for all noncontroversial projects of up to €25 million with no distinction between new and existing clients. EBRD does not have approval on an AOB. In its June 2022 Approach Paper, *IFC Platforms: Enabling New Business Development at Scale*, IFC established a different indicative threshold from EBRD for platform projects under delegated authority—up to $25 million of IFC own-account finance for new clients and up to $50 million for existing clients (IFC 2022). Some IFC platforms—IFC Startup Catalyst (ISC) and the Small Loan Guarantee Program—are fully delegated because of small project size. Other IFC platforms—for example, Base of the Pyramid (BOP)—have delegation of authority for existing clients and AOB for new clients.

Delegated approval authority under EBRD's investment frameworks generates important efficiency gains. Estimates of resource savings from delegation are uncertain, though in EBRD are widely believed to amount to at least two to three weeks of staff time saved per project.

- The benefits from delegation are especially significant in the context of fast-moving, time-sensitive, commercially oriented projects, such as private equity deals, co-investments, and bond placements.
- Efficiencies from delegation are maximized and governance is improved by minimizing the scope for Board intervention on delegated projects.
- The Board needs good summary project information on delegated projects that meets its main concerns and is made available promptly after management approval.
- Restrictions, indicative or otherwise, are not applied to EBRD frameworks. The key considerations are demand for EBRD services and ensuring that delegated projects do not conflict with agreed policy directions or risk appetite and keep within EBRD's Board-agreed headroom.
- Mechanisms to identify delegated projects that might be escalated for Board approval should be considered, such as EBRD's "novel and contentious" categorization. Criteria should be agreed as far as possible in advance, with the ultimate decision to escalate left to management's judgment.
- No distinction between existing and new clients is necessary, given strong due diligence requirements on all projects under EBRD frameworks.
- Care should be taken not to water down project due diligence because of delegation. Informal evidence at EBRD over more than five years of experience suggests that this has not been the case.

Direct efficiency savings and productivity improvements from EBRD's investment frameworks are small in the broader context, in which projects normally take many months to come to fruition. Additional internal process reengineering can optimize efficiency. Significant initiatives at EBRD have helped streamline processes but cloud the extent to which investment framework structures amplify the gains. EBRD invested in Project Monarch to simplify its project processing and Project Christopher to automate elements of project processing.

EBRD frameworks facilitated scaling up volumes by having a ready-made and familiar structure in place with clearly defined parameters, together with a track record of deploying funds for a given purpose, already agreed with the Board. However, as they scale up, they risk becoming unwieldy and opaque and lose their value as direct simple structures. A proliferation of EBRD's investment frameworks may become difficult to manage, and the Board may voice concerns as the number of delegated projects under different headings grows.

Frameworks' design should give prominence to their theory of change, especially the impact at the market or sector level, and to well-specified results frameworks. Targets should be matched to the framework objectives.

Frameworks have not added significant risk to EBRD's overall portfolio. Framework financial envelopes have been small in relation to EBRD balance sheets. With due diligence as robust as for nonframework projects, they pose no obvious additional risks.

Lessons from European Bank for Reconstruction and Development Frameworks

Lessons include the following:

- EBRD frameworks add value by providing a coherent and strategic approach to a set of projects targeted on a clear development challenge. They offer some advantages in the use of donor funds and particularly for integrating investments with policy reform work.
- EBRD frameworks offer efficiency gains, but their extent is hard to measure. Delegated authority under frameworks generates important efficiency gains, which can increase activity volumes and incentivize the pursuit of smaller deals. Frameworks have facilitated a scale-up of project volume.

» Frameworks risk becoming unwieldy and opaque as they increase in size and extend their reach. A proliferation of frameworks may become difficult for the EBRD's Board to oversee, and the Board may voice concerns as the number of delegated projects grows.

» Frameworks' design should give prominence to their theories of change, especially the impact at the market or sector level, and to well-specified results frameworks. Ex ante impact targets and expected results need to be defined at the framework level. (Unlike IFC platforms, EBRD frameworks do not have the equivalent of the platform approach document, which was discussed at the World Bank Group Board of Executive Directors in June 2022.)

» Framework reporting commitments, such as annual reviews, and their contents should be agreed with the Board up front and adhered to accordingly. Periodic evaluation is also important.

» Framework financial envelopes are small in relation to EBRD's balance sheets, and with due diligence as robust as for nonframework projects, frameworks per se pose no obvious additional risks.

Platform Risk

Main Risk Concepts

The following key concepts are referred to in the platform risk analysis:

» Probability of default. The likelihood that a client will fail to pay its obligations to IFC is expressed as the probability of default. This key credit quality consideration for loan-type projects is assessed under IFC's new Investment Risk Platform methodology.

» Loss given default. Loss given default is the estimated share of the amount of assets IFC loses when a client defaults and is expressed as a percentage through the facility risk rating.

» Expected loss. Expected loss is the sum of the values of all possible losses multiplied by the probability of that loss occurring.

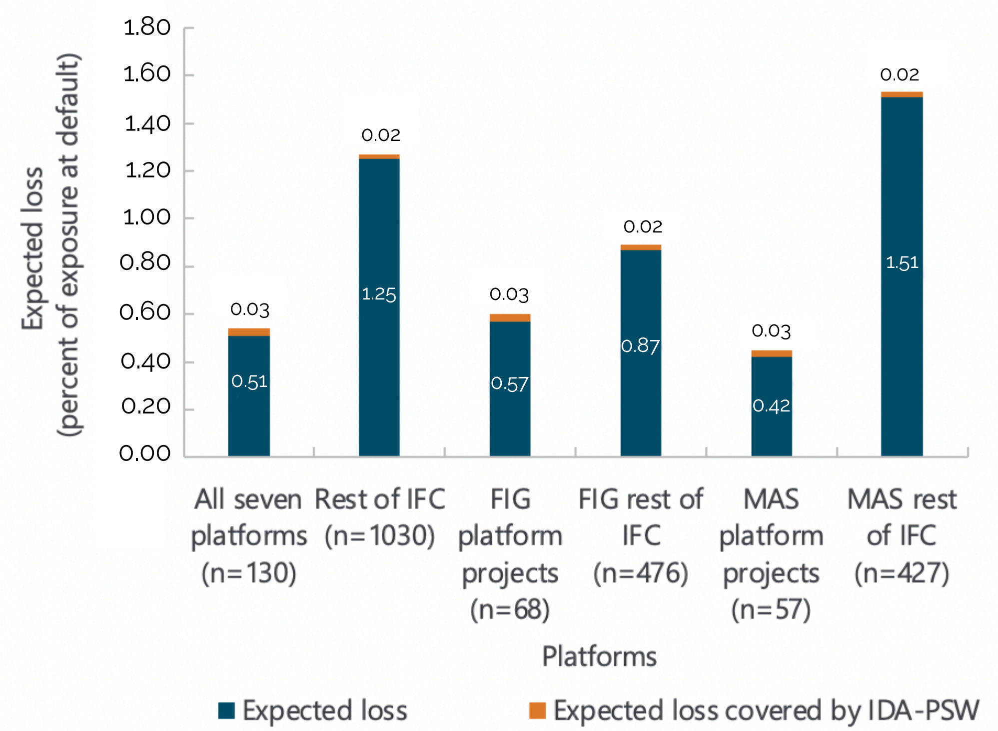
» Credit risk ratings (CRRs). Equity projects rely on the CRR framework, which is a different rating system that is older and less empirically based than the new Investment Risk Platform system that IFC now uses for debt instruments. The CRR scale ranges from 1 (lowest risk) to 7 (highest risk, equivalent to default).

Platform coverage. Platform projects are projects that fall under the following platforms approved by the Board during FY 2017–22: BOP, the Global Health Platform (GHP), ISC, the Fast-Track COVID-19 Facility, the Côte d'Ivoire Housing Program, the Small Loan Guarantee Program, and Private Equity Co-Investment. Case study platforms in this analysis refer to the three platforms for which the Independent Evaluation Group conducted detailed case studies as part of this evaluation: BOP, GHP, and ISC.

Key Findings from Data: Risk Analysis, FY17–22

Platform projects overall have a lower expected risk of defaulting compared with the rest of the IFC portfolio (figure C.1), but this varies by platform. For example, the BOP platform was designed specifically to take more risks with smaller financial institutions that reached BOP in IDA and other more difficult markets with three-year working capital finance, while GHP was designed to provide long-term finance to drive production of COVID-19 vaccine and personal protective equipment at scale to address supply shortages in emerging markets. Thus, the risk profile of these platforms was different by design, and our findings are consistent with this difference in design.

Figure C.1. Riskiness of Platforms Versus the Rest of the International Finance Corporation Portfolio



Sources: IFC *Business Intelligence* reports; IFC Investment Risk Platform (credit ratings).

Note: FIG = Financial Institutions Group; IDA = International Development Association; IFC = International Finance Corporation; MAS = Manufacturing, Agribusiness, and Services; PSW = Private Sector Window.

Expected losses are smaller for platform projects, even when factoring out the effect of IDA PSW support, but differences among platforms exist. Overall, platforms are characterized by an expected loss of about 0.51 percent of the total exposure at default compared with more than 1.25 percent for the rest of the IFC portfolio. The median size of expected loss is $121,000 for the platform category but is higher for the rest of the IFC portfolio at $145,000.

Platforms made greater use of the IDA PSW than nonplatform projects and delivered a larger percentage of projects to IDA countries, especially some specific platforms. IDA PSW support improves the risk profile of covered projects.

However, platforms that use the IDA PSW extensively, such as BOP, would see a significant deterioration in their risk profile if IDA PSW support were removed. Looking only at projects with active IDA support, the expected loss increases to 3.17 percent for platform projects (from 0.27 percent) compared with 1.76 percent for the rest of IFC (from 0.13 percent).

The platforms approach does not have a different sovereign risk component from the rest of IFC's portfolio. The median foreign currency sovereign rating for platform projects in IDA countries and countries classified as fragile and conflict-affected situations is CR-10, the same as the rest of IFC. Equally, the median rating for non-IDA and countries classified as fragile and conflict-affected situations is CR-6 for both platforms and the rest of IFC.

Platforms are not currently affecting IFC's country risk concentration or industry or sector concentrations. However, individual platforms exhibit both country and industry concentrations by design, and therefore, if IFC scales up the platforms approach, concentrations must be monitored carefully. Concentration is significant in country exposure in some platforms. In GHP, the five largest country exposures in committed amounts account for 97 percent of total exposure. Equally, the top five exposures in the BOP platform account for 64 percent of total commitments. Some platforms also have significant industry concentration. For example, BOP projects are targeted exclusively to the Financial Markets industry group, while ISC investments are made only in the Disruptive Technologies and Funds industry group.

The platforms approach has a slightly better integrity risk compared with the rest of the IFC portfolio, but individual platforms have very diverse integrity risk profiles.

The risk that equity investments pose under the platforms approach is similar to that posed under the nonplatform approach, but individual platforms are characterized by higher risk. Platform projects are rated in line with the rest of IFC projects, with a median rating of 3A for platforms and the rest of IFC. The case study platform ISC is by design much riskier than the funds benchmarking sample. The median CRR for ISC is 3B, whereas the funds benchmarking sample has a median CRR of 2B.

Platforms have a slightly better average environmental and social risk rating (ESRR), but some ESRRs are missing.

Case study platforms use intermediary jurisdiction less frequently, but if used, the expected loss is higher; however, differences between individual platforms exist. Less than one-third of case study platform projects use intermediary jurisdiction compared with more than half of benchmarking projects. Expected loss is larger if intermediary jurisdiction is used. For BOP projects with intermediary jurisdiction, expected loss is 1.8 percent of exposure at default, but it is only 0.4 percent of exposure at default if no intermediary jurisdiction is used. Equally, for GHP projects with intermediary jurisdiction, expected loss is 0.3 percent compared with 0.2 percent without it.

Investments in new clients versus existing clients are similar between the platforms approach and the nonplatform approach; risk assessment depends on platform type. Risks to IFC's balance sheet are higher when making investments to new clients under GHP projects. Equally, for BOP projects, expected loss is also smaller when making loan investments to existing clients (that is, expected loss of 1.3 percent compared with 1.9 percent for new clients).

Platform approvals through delegation and AOB share risk characteristics (table C.2), while the regular procedure tends to approve less risky projects.

Table C.2. No Clear Pattern of Riskier Projects from Different Approval Types

Platform	Regular Procedure		AOB		Delegated Authority	
	Share of EAD (%)	(no.)	Share of EAD (%)	(no.)	Share of EAD (%)	(no.)
BOP	n.a.	0	1.8	14	0.5	7
BOP benchmark	0.3	1	1.5	84	n.a.	0
GHP	0.7	3	0.3	11	n.a.	0
GHP benchmark	n.a.	0	0.7	15	n.a.	0

Source: Independent Evaluation Group.

Note: AOB = absence of objection; BOP = Base of the Pyramid; EAD = exposure at default; GHP = Global Health Platform; n.a. = not applicable.

Supplemental Findings on Risk from FY23 Data

This section analyzes projects approved in FY23 compared with projects approved in the FY17–22 period:

» IDA PSW use has increased among platforms and the rest of IFC for projects approved in FY23 compared with previous periods.

» Risk of default has increased slightly among some platform projects but decreased in the rest of the IFC portfolio.

» Platform projects approved in FY23 are riskier compared with previous periods because expected loss is higher for new projects. Expected loss in terms of exposure at default has increased to 0.73 percent from 0.51 percent in the previous FY17–22 period. At the same time, the rest of IFC portfolio's expected loss rates improved to 0.57 percent from 1.25 percent.

» Risk from sovereigns to platform projects is higher for new FY23 approvals.

» Country concentration remains stable in committed amounts, but the number of projects in top five countries among platforms increased slightly.

- The ESRR system will be replaced, helping to explain the large number of unassigned ESRRs.
- Trends of differences in expected loss between existing and new clients for FY23 approvals were similar to previous periods, with a deterioration in risk for BOP projects to existing clients.
- Projects approved in FY23 under delegated authority tend to be lower-risk projects compared with approvals through AOB.

General Observations

The following are some of the general observations from platform risk analysis:

- Data quality and consistency should be improved at the platform level and the rest of IFC. A significant share of all projects is characterized by some missing indicators and data points, which limits the possibility of assessing risks fully for individual projects.
- Consistency of country ratings should be improved. Some discretion appears to be used in assigning a foreign currency sovereign rating to each project. Country risk should be the same for all projects located in any given country. One way of improving data quality on sovereign risk could be to use the sovereign ratings of one or all of the three largest credit rating agencies—Moody's, S&P Global (formerly Standard & Poor's), and Fitch Ratings—as a reference.
- Why approximately 50 percent of all IFC projects have a similar loss expectation is unclear. Astonishingly, about 50 percent of all IFC projects, when aggregated, are characterized by a loss given default of 35 percent (midpoint) because they are rated with a facility rating of G. It is unclear why such a large share of projects has the same loss, given default expectation.

Due Diligence

Platform projects are subject to almost the same up-front due diligence as IFC benchmark projects, with some streamlining. The Independent Evaluation Group's benchmarking analysis (table C.3) showed mostly similar due diligence processes. For the three case studies, the Investment Review Memorandum process is the same for GHP, with minor customization for BOP and ISC. The client supervision report adheres to the same standards for GHP and BOP, whereas ISC reporting has a 12- to 24-month initial delay for incubation. E&S reporting is the same as for benchmark projects for new clients in BOP and GHP. For existing clients, BOP and GHP platform projects must meet E&S criteria. E&S reporting is the same for ISC and its benchmark.

Table C.3. Front-End Due Diligence Process for Case Study Platforms Versus Benchmarks

Due Diligence Process	Base of the Pyramid	Base of the Pyramid Benchmark	IFC Startup Catalyst	IFC Startup Catalyst Benchmark	Global Health Platform	Global Health Platform Benchmark
Concept review	Standard	Same	Same as for other venture capital funds	Same	Standard	Same
Investment review process	Follows all codified FIG processes but uses standardized AIMM ratings, deal acceptance terms, term sheets and covenants, legal agreements, and IDA PSW processing	Same but less standardized; no pooling for blended finance	Investment Review Memorandum: now uses template like nonplatform projects; under 2022 extension, subprojects receive specific AIMM score; offshore centers and tax due diligence, E&S risk, and integrity due diligence follow standard IFC procedure	Follows all IFC procedures; Investment Review Memorandum slightly more customized than for platform	Projects follow all codified IFC policies and procedures. No standardization because of investments heterogeneity; selected projects expedited through streamlined AIMM scores and Investment Review Memorandum template	Same; adheres to all IFC standards

(continued)

Due Diligence Process	Base of the Pyramid	Base of the Pyramid Benchmark	IFC Startup Catalyst	IFC Startup Catalyst Benchmark	Global Health Platform	Global Health Platform Benchmark
Client supervision report	Adheres to all standard procedures	Adheres to all standard procedures	Because of funds' incubator nature, little information available in first 12–24 months; once financial results available, reported to the Board at market values through the monthly operations report	Similar, but nonplatform projects involve less incubation	Adheres to the standardized client supervision reports and portfolio review processes; equity investments meet all IFC health industry equity requirements; AIMM reporting missing from client supervision report	Same as platform for both loans and equity; adheres to all IFC standards
E&S reporting	For new clients, E&S process is the same as for nonplatform projects	Same as for all FIG projects; intensity based on E&S risks	Began with E&S reporting; added gender advisory support for fund managers	Same; follows all IFC procedures	For new clients, E&S process is the same as for nonplatform projects	Standard; governed by IFC's policies and procedures based on E&S risks

Source: Independent Evaluation Group case studies and benchmarking analysis.

Note: AIMM = Anticipated Impact Measurement and Monitoring; E&S = environmental and social; FIG = Financial Institutions Group; IDA = International Development Association; IFC = International Finance Corporation; PSW = Private Sector Window.

Platform Efficiency: Reflections Based on Investment Banking Practices

Efficiency gains currently are not reported at the platform level, and IFC does not have a robust methodology for collecting data related to efficiency by region, department, or platform or for tracking sources of efficiency improvements. Measuring, tracking, and reporting on efficiency needs to cover the speed of delivery to clients and the cost-to-income effects of platforms on IFC's financial statements. This analysis needs to include the cost reductions from process efficiency improvements and the effects of changes in project size and duration, how these interact with direct and indirect costs, and how these together affect break-even project economics and overall IFC profitability.

The current reporting systems are unable to provide data that support a full analysis of efficiency. The lack of data sharply constrains insight into the sources of efficiency improvements created by platforms. Data are lacking to compare the efficiency gains of procedural changes such as delegating authority, streamlining processes, sharpening deal acceptance criteria, standardizing legal agreements, and outsourcing selected processes within and outside of platforms.

The IFC key performance indicators include three efficiency measures:

- Budget coverage ratio (item 23: target for FY23: less than 95 percent). This indicator is defined as administrative budget or loan and debt security interest, and fees, net. The budget coverage ratio is basically IFC's cost of operations divided by the expected net cash flow from IFC's loan and bond portfolios. It is a conceptually diluted cost-to-income ratio. The idea is that IFC should be cash flow positive before unrealized gains or losses on its direct and private equity investment portfolio. To be usable, this ratio needs to be decomposed to the regional, departmental, and platform levels, with specific budget coverage ratio targets for each, while exempting income or losses from equity holdings but not the costs associated with those equity holdings and incorporating the costs of IFC's non–donor-funded advisory services operations. Besides being operationally difficult to allocate such targets credibly to business lines, it also raises significant cost allocation issues because only interest revenue–generating units can take responsibility for the denominator, while all cost centers are responsible for the numerator.

- Savings through efficiency gains and economies of scale (item 24: target for FY23: greater than or equal to $60 million). This indicator is defined as "gains" derived from the following:
  - Total resources redeployment or trade-offs across functions (US dollars, millions)
  - Cost avoidance from implementation of new policies, procedures, real estate strategies, or financial practices (US dollars, millions)
  - Productivity and economies of scale gained through process simplification and optimization initiatives, reskilling, and workforce planning (output per full-time employee)

- Mandate to disbursement median days (item 25: target for FY23: 229 days). Mandate to disbursement can be tracked meaningfully at the platform level, but this key performance indicator has some issues. First, it measures elapsed time and not efficiency. It is a rough gauge of IFC's client service—for example, if it targets meeting client needs in 9–12 months (or in elapsed workdays). Second, both the mandate date and the commitment date can be subject to arbitrary influence. A mandate letter can be delayed or revised, and a commitment date can be moved forward with challenging disbursement conditions, weakening the value of this key performance indicator. Third, many factors can affect the time between mandate and commitment that are not under the control of IFC or its clients, such as government approvals, restrictive regulations, complex legal issues, local economic problems, debt crises, local currency devaluations, and others. Thus, it can be difficult to track this key performance indicator fairly and attribute responsibility justly.

The current IFC systems confuse financial efficiency with elapsed time from mandate to commitment. They do not account for changes in duration and project size on risk-adjusted return on capital and financial efficiency. IFC's time recording system and disciplines are not detailed enough to provide useful data at the project level, and IFC's cost allocation system does not allocate overhead in a way that encourages appropriate marginal decision-making. Many commercial businesses have addressed these challenges successfully, and solutions are available.

Currently, the distinction between sources of efficiencies and whether they are unique to the platform approach is unclear. Typically, efficiency can come from six interrelated sources, and none of these is inherently dependent on platforms:

- Work elimination: IFC stops engaging in activities that do not add value.
- Process streamlining: IFC reduces unnecessary work steps and eliminates redundancy.
- Delegation of authority or decentralization: IFC uses less expensive staffing or fewer people to carry out key functions, including approvals, or uses resources that are closer to clients and thus more efficient at client delivery, which also relates to having the correct leverage structure in the organization design with a span of control appropriate to the risks being managed.
- Automation: IFC uses workflow software and automated reporting often, increasingly using artificial intelligence.
- Applying decision rules or automating decisions: IFC uses deal acceptance criteria or risk-based approval approaches—that is, existing IFC clients need less processing than new IFC clients, standardized products require less processing than tailored products, and so on; some decisions and much reporting can be fully automated.
- Balancing organizational workloads: IFC expands or contracts spans of control and approval hierarchies to improve efficiencies and eliminate bottlenecks, using cheaper labor wherever possible (leverage), using flexible work to shift resources to meet peak demand, adapting employment when there is no demand, cross-training people so they can move with peak workflows on a more flexible basis, and more. Automation and workflow software can make all the other programs work more effectively, help track individual productivity, and help with time and cost allocations and efficiency tracking. Firms

that are serious about efficient operations use technology to track everything they do.

Using these sources of efficiency successfully requires the ability to measure (and model) how each one affects labor use (about 50 percent of IFC costs) and both fixed costs and capital use. Reaching this level of understanding and control requires a deep understanding of where individuals spend time and effort today and how processes, reporting, technology, and capital use changes will affect this, and what this will do to efficiency and costs. Measuring scale effects requires understanding how transaction costs change with volume, if at all.

IFC's discussions about platform efficiency are not informed by a careful examination of the impact that project tenors and size have on the break-even point of projects and platforms. IFC has an intensive investment review process that for any given project takes months of elapsed time and many full-time equivalent months of investment review work, requiring efforts from multiple departments: Investment, Equity, Anticipated Impact Measurement and Monitoring, Credit, Insurance, E&S, Integrity Due Diligence, Treasury, Blended Finance, and Legal.

Therefore, using the right analytic framework to look at efficiency is vital. Distinguishing between projects and platforms with a favorable cost-to-income ratio and those that reduced elapsed time to approve projects is important. If platform projects are smaller, shorter in duration, or riskier, recognizing their efficiency impact is crucial.

Reference

IFC (International Finance Corporation). 2022. *IFC Platforms: Enabling New Business Development at Scale.* Approach Paper IFC/R2022-0177, IFC.

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