



### INTERNATIONAL FINANCE CORPORATION (IFC)

#### BACKGROUND

The IFC is the private sector lending arm of the World Bank Group. It was launched in 1956 to promote private enterprise as a means of reducing poverty in developing countries. Today there are 181 member countries, and to be eligible for membership a country must also be a member of the World Bank. Currently there are operations in 81 countries worldwide.

#### ORGANISATIONAL STRUCTURE

The governing body of the IFC is the Board of Governors composed of one Governor from each member country. Most powers of the Board of Governors are delegated to the Board of Directors. The members of the Boards of Directors for the IFC and three other World Bank organisations (the IBRD, IDA and MIGA) generally overlap. The Executive Directors of the IBRD serve as Directors of the IFC, provided that the country that appoints them is also a member of the IFC. Five Directors are appointed by the members who are the largest shareholders, and the remaining 19 Directors are elected by the Bank's other members.

#### ACCOUNTABILITY SUMMARY

##### TRANSPARENCY

The IFC's approach to transparency is outlined in its *Policy on Disclosure of Information*. All information requests must be responded to within 30 days, and an explanation given for denial of information. However, the *Policy* does not provide a narrowly defined set of conditions for non-disclosure, and there is no independent appeals process if a request is denied.

The Director of the IFC Corporate Relations Unit assumes responsibility for oversight of compliance with the *Policy on Disclosure of Information*. Corporate Relations is responsible for providing training to staff about information disclosure. There are also 40 Disclosure Champions, who receive special training and are responsible for handling queries within each department. The *Policy* is available online in English, French, Spanish, Portuguese, Russian, Chinese and Arabic, and is widely disseminated through the website and Public Information Centres located in World Bank member countries.

##### PARTICIPATION – EXTERNAL STAKEHOLDER ENGAGEMENT

Although the IFC engages with external stakeholders at the institutional level, as it did with key external stakeholders from civil society in the process of updating its disclosure and sustainability policies, there is no policy to guide this level of engagement. The IFC does not engage directly with stakeholders at the operational level, but sets detailed standards of engagement for its private sector clients in its *Performance Standards*. The *Standards* stipulate that IFC clients must develop a grievance mechanism for stakeholders at the operational level to facilitate stakeholder initiation of engagement. However, no requirement is made to making public the outcomes of external stakeholder engagement, or to change policy or practice as a result of engagement, nor do the *Standards* require allowing external stakeholders to initiate engagement on issues of concern to them. The World Bank Extractive Industries Advisory Group and Labor Advisory Group provide institutionalised mechanisms for stakeholder engagement at the senior management level in two key IFC impact areas.

The IFC Chief of Public Affairs is responsible for overseeing stakeholder relations while Corporate Relations is responsible for coordinating with the World Bank Civil Society team to organise events and manage engagements at the institutional level. At the operational level, the Environmental and Social Department is responsible for assuring client compliance with the *Performance Standards* and reports to the Board. Both the IFC's *Policy on Social and Environmental Sustainability* and *Performance Standards* are available on the IFC website, in hard copy, and upon request via email or in person at a World Bank Public Information Centre. They are available in English, French, Spanish, Portuguese, Arabic, Chinese, and Russian.

##### PARTICIPATION – MEMBER CONTROL

Each of the 181 IFC member countries are represented by one Governor. These Governors make up the World Bank Group Board of Governors, which is, in practice, the same body as the IFC Board of Governors. All members of the Board of Governors are able to add items to its agenda, but are not able to nominate or elect all members of the Board of Directors, as five of the 24 seats are reserved for the largest IFC shareholder countries. The number of votes that each member country receives is dependent on the number of shares held by that country. Making amendments to the *Articles of Agreement* requires a double majority vote of three-fifths of all members and 85% of the total voting power. Since the USA controls 23.64% of shares, it has the capacity to block changes to the *Articles*, violating a key good practice principle for equitable member control.

**Headquarters:** Washington DC, USA

**Countries of operation:** 181

**Operating income:** US\$ 2.59 billion

**Employees:** 3,325 (as of 10/ 2008)

**Website:** [www.ifc.org](http://www.ifc.org)

**Accountability Initiatives signed up to:**

- Extractive Industries Transparency Initiative

2008 GLOBAL ACCOUNTABILITY REPORT RATINGS			
Dimension	Score	IGO Rank	2008 Rank
Transparency	76%	1=	1=
Participation: External Stakeholder Engagement	67%	4	10
Participation: Member Control	25%	10	30
Evaluation	84%	2	6=
Complaints & Response: Internal	83%	4	7
Complaints & Response: External	60%	1=	2=
<b>Overall</b>	<b>69%</b>	<b>2=</b>	<b>3=</b>

= denotes tied ranking

## EVALUATION

IFC evaluation policy is spread across several key documents. The role of the Independent Evaluation Group of the IFC (IEGI) is explained in its *Terms of Reference of the IEGI*. The *Preparing an Expanded Project Supervision Report (XSPR) Instructions for Financial Markets Projects* and *Preparing an Expanded Project Supervision Report Instructions for Non-Financial Markets Projects* documents provide frameworks for evaluating investment operations. Procedures for social and environmental evaluation are detailed in the *Policy on Social and Environmental Sustainability* and *Environmental and Social Review Procedures*. In these documents, the IFC commits to using evaluation results to inform future policy and project decision making as well as to openness and transparency regarding evaluation results. However no formal commitment is made to engaging external stakeholders in the evaluation process.

The Director of the IEGI is responsible for operations level evaluation and assists the Director-General of Evaluation for the World Bank Group. The IEGI operates as an organisationally independent unit of the World Bank Group, and the IEGI's reports are transmitted to the Board of Directors by the Director-General. All IEGI staff receive evaluation training and the IEGI Terms of Reference and XSPR guidelines are widely disseminated, although they are only available in English.

## COMPLAINTS AND RESPONSE – INTERNAL AND EXTERNAL COMPLAINTS

The procedure for handling staff complaints regarding misconduct is laid out in the World Bank Group's *Principles of Staff Employment*, which details how and to whom complaints should be made and how the investigation will proceed. Commitments are also made to maintaining the confidentiality of complainants and to ensuring non-retaliation against whistleblowers in the World Bank Group's *Principles of Staff Employment (Disciplinary Proceedings)*. However, no explicit commitment is made to reverse any negative consequences suffered by victims of proven retaliation.

All reports of misconduct must be reported to the Department of Institutional Integrity (INT), which investigates the complaints. The Office of Ethics and Business Conduct is responsible for guiding and advising staff, and all managers are responsible for using the Conflict Resolution System to prevent retaliation against complainants. Staff at the INT receive training specific to handling complaints.

The *Compliance Advisor Ombudsman (CAO) Operational Guidelines* set out the external complaints procedure which enables affected communities to make complaints regarding IFC funded projects. The *CAO Guidelines* commit to maintaining the confidentiality of complainants, but there is no guarantee of non-retaliation and no appeals process if complainants are dissatisfied with the outcome of the investigation.

Responsibility for addressing the complaints of external stakeholders lies with the Compliance Advisor Ombudsman (CAO). Staff at the CAO are all in full-time complaints handling roles, receive training, and the *CAO Operational Guidelines* are available on the CAO website in Arabic, Chinese, English, Spanish, French, Portuguese and Russian.

## ONGOING ACCOUNTABILITY REFORMS

The IFC's Development Effectiveness Unit is currently developing a tracking system to monitor its development impact.

## PERFORMANCE SNAPSHOT

The IFC scores very well in comparison to all sector averages in transparency because it has a specific transparency policy. However, it has weak participation capabilities because it has the most inequitable member control of all assessed organisations, and furthermore does not have a specific external stakeholder engagement policy at the institutional level. The IFC's strong capabilities in evaluation and complaints handling, the latter due to its specific mechanism for responding to external stakeholder complaints from project affected communities, has resulted in a tied third ranking overall.

