



# IFC's Governance and Accountability Framework

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# IFC's Governance and Accountability Framework



International Finance Corporation (IFC) is the largest global development institution focused exclusively on the private sector in developing countries. IFC applies its financial resources, technical expertise, global experience and creativity to assist in financing the establishment, improvement and expansion of productive private enterprises in developing markets and help its private sector partners overcome financial and operational challenges.

IFC was established in 1956 by international treaty and has its own share capital, financial structure, management, and staff. IFC's shareholders are currently 184 countries (see Annex A). On becoming a shareholder, each member country is required to enact IFC's Articles of Agreement into its respective domestic law.

IFC is not established under the laws of any one member country and is not subject to regulatory oversight by any national regulator. IFC has the status of a specialized agency of the United Nations.

## Relationship to World Bank Group

The World Bank Group (WBG) consists of five separate and distinct organizations. The International Bank for Reconstruction and Development was the first to be established in 1944, followed by IFC in 1956.

The WBG's five institutions share a common commitment to reducing poverty, increasing shared prosperity, and promoting sustainable development. Their mandates are as follows:

### International Bank for Reconstruction and Development (IBRD)

(together, IBRD and IDA is commonly known as the World Bank) lends to governments of middle-income and creditworthy low-income countries. The IBRD also offers support to developing countries through policy advice, research and analysis, and technical assistance.

### International Development Association (IDA)

provides interest-free loans (called credits) and grants to governments of the poorest countries.

### International Finance Corporation (IFC)

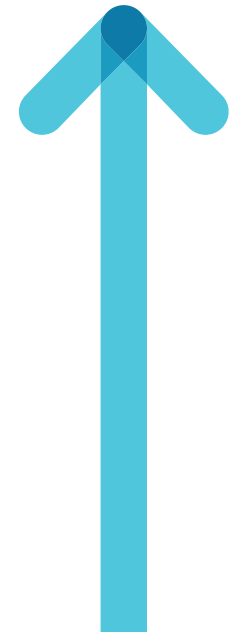
provides loans, equity, and technical assistance to private sector clients to stimulate private sector investment in developing countries.

### Multilateral Investment Guarantee Agency (MIGA)

provides guarantees against losses caused by noncommercial risks to private sector investors in developing countries.

### International Centre for Settlement of Investment Disputes (ICSID)

provides facilities for conciliation and arbitration of international investment disputes.



## Relationship to IMF

Both the World Bank and the International Monetary Fund (IMF) were created at an international conference convened in Bretton Woods, New Hampshire, in 1944. The WBG institutions continue to have a close relationship with the IMF as they share complementary mandates. All IFC member countries are member countries of the IMF and the World Bank.

Each of the WBG institutions and the IMF have a Board of Governors. The Boards of Governors are advised by the Development Committee<sup>1</sup>. This consists of 25 members (usually Ministers of Finance or Development) who together represent the full membership of the IMF and the WBG institutions. The Development Committee advises the IMF and the WBG institutions on critical development issues and the financial resources required to promote economic development in developing countries.

## Annual and Spring Meetings

The Annual and Spring Meetings take place each year and bring together all the Governors of the WBG institutions and IMF in plenary session. The Development Committee also meets at this time. After the Annual and Spring Meetings, the Development Committee issues a Communique which sets out the overall strategic direction for the IMF and the WBG institutions. Any changes to shareholding, capital, and membership must be approved by the Board of Governors at the Annual and Spring Meetings.



## What are IFC's Privileges and Immunities?

In common with other international organizations, each WBG institution enjoys certain privileges and immunities under international law. If an international organization were subject to regulatory oversight under a variety of potentially conflicting and overlapping national laws and regulations, this would be inefficient at best, and would hamper the international organization fulfilling its mandate.

IFC's privileges and immunities include, but are not limited to, the following:

- Actions may be brought against IFC only in certain courts of competent jurisdiction.
- IFC's property and assets are immune from certain forms of seizure before delivery of final judgment; from certain forms of seizure by executive or legislative action; and from certain other restrictions, regulations and other controls.
- IFC's archives are inviolable, which protects IFC's documents and records from discovery, subpoena or other involuntary disclosure.
- IFC's officers and employees enjoy certain privileges and immunities with respect to acts performed by them in their official capacity.
- IFC's assets, property and income and its operations and transactions are immune from all taxation, customs duties and related liabilities.

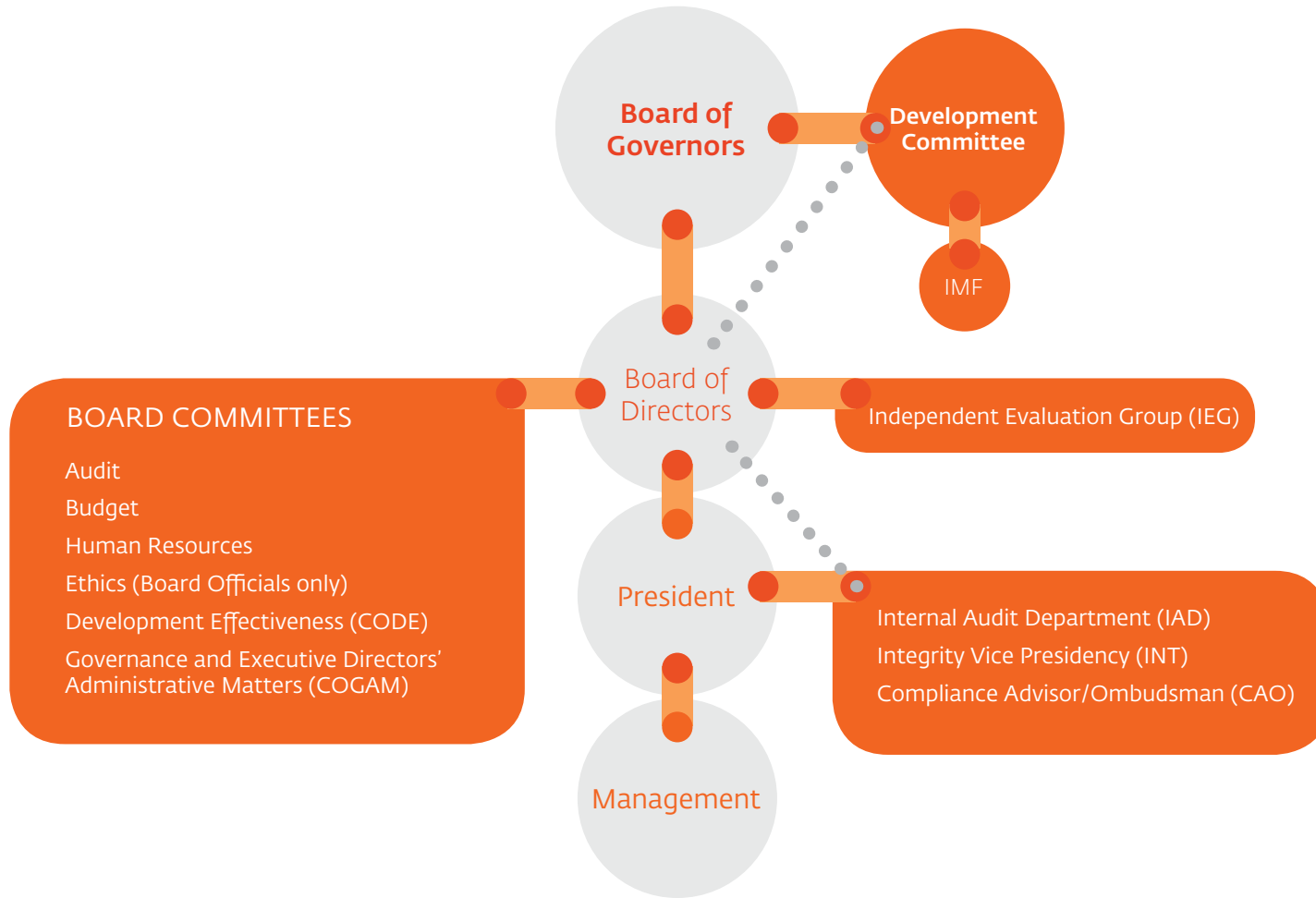
In adopting IFC's Articles of Agreement, each IFC member country has agreed to give effect to these privileges and immunities under its domestic laws.

IFC may choose to waive its privileges and immunities in particular situations or circumstances.

<sup>1</sup>. In full, the Joint Ministerial Committee of the Board of Governors of the Bank and Fund on the Transfer of Real Resources to Developing Countries.

# IFC's Governance Structure

Each of the WBG institutions have nearly identical governance structures. The structure for IFC is outlined in the chart below.





## Who are IFC's Board of Governors?

IFC operates under the authority of its Board of Governors. Each member country has a Governor who is typically the Minister of Finance, and such individual serves on the Board of Governors of both IFC and the World Bank. IFC's Board of Governors has delegated all but its reserved powers to the Board of Directors. The reserved powers cover IFC's capital, membership and amendments to the Articles of Agreement.



## Who are IFC's Board of Directors?

IFC's Board of Directors consists of twenty-five individuals (see Annex B). By virtue of IFC's Articles of Agreement, they are the same individuals as the Executive Directors of IBRD. The 5 largest shareholders of IBRD (US, Japan, China, Germany, France and the United Kingdom)<sup>2</sup> each have the right to appoint an Executive Director to the Board of IBRD. Other shareholders are grouped into constituencies (see Annex B), each of which has its own Executive Director.



## What is the Role of the Board of Directors?

IFC's Board of Directors approves policies and investments, and is responsible for the general operations of IFC. It also has an oversight role through five standing committees:

- Audit Committee
- Budget Committee
- Committee on Development Effectiveness (CODE)
- Committee on Governance and Executive Directors' Administrative Matters (COGAM)
- Human Resources Committee (HRC)

The standing committees serve as a forum to review and build consensus around management proposals prior to Board discussion. They also have an oversight role with respect to management's conduct of IFC's business, and are designed to contribute to the efficiency and effectiveness of the Board.

The Board has its own Ethics Committee which operates under the Board's Code of Conduct, with authority to advise and investigate Board officials and the President on matters related to conflict of interest, annual disclosures, and other ethical issues relating to their official roles.

<sup>2</sup>. France and United Kingdom have the same shareholding, and therefore count as one.

## The President

The President of the World Bank is also President of IFC and the other WBG institutions. The President has established an advisory body, called the Senior Management Team, consisting of the Chief Executive Officers of each WBG institution and selected senior Vice Presidents, to assist in the coordination of the activities of the WBG institutions.

## IFC's CEO

IFC's Chief Executive Officer is charged with the overall management of IFC, and also serves as Chairman of IFC's wholly-owned subsidiary, IFC Asset Management Company (AMC).

## Role of IFC's Management Team

The IFC Management Team, consisting of IFC's Chief Executive Officer, IFC's Chief Operating Officer, Chief Executive Officer of IFC Asset Management Company and IFC Vice Presidents, is responsible for the day-to-day management of IFC. To strengthen the efficiency and effectiveness of the Management Team in carrying out its responsibilities, IFC has decision-making management committees and deliberative management steering groups that make recommendations to the Management Team.

- The management committees cover high-risk transactions, portfolio, corporate risk, advisory engagements and blended financings.
- The steering groups cover information technology, human resources, innovations and mobilization. They develop new ideas, consider refinements, promote coordination in their respective areas, and make recommendations to the Management Team and its decision-making committees.



## How are IFC Investments Approved?

All IFC financings require Board approval via a full Board meeting or circulation on an absence-of-objection basis. Generally, financings having the highest risk or most innovative features are sent to the Board for discussion. Prior to submitting a financing for Board approval, there is an extensive internal risk-based review with built-in checks and balances that ensures an evaluation across the key risk areas, such as credit risk, legal risk and reputational risk.

Financings may be approved by IFC management under delegated authority if specifically authorized by the Board. This generally includes financings under a program or facility.







## How is IFC Organized to Better Manage Risks?

IFC's organizational structure is designed to facilitate the prudent management of financial and reputational impacts originating from IFC's business activities. The following departments assist in this endeavor:

**Corporate Risk Management Department (CRM)** - Monitors, manages and prevents loss exposure in IFC's debt/equity portfolio and treasury investments through internal controls and technologies, and manages external threats to IFC, such as fluctuations in financial markets that could affect its financial assets and triple-A rating.

**Environment, Social and Governance Sustainability Advice and Solutions Department (ESG)** - Helps client companies identify and solve complex environmental and social risks, and safeguard against mismanagement by improving their corporate governance.

**Legal Department (CLE)** - Is responsible for independently representing and protecting IFC's interests at the corporate and transactional levels. The Legal Department is charged with providing legal and policy advice to IFC's Board of Directors, IFC management and client departments on transactions, advisory and corporate matters.

**Business Risk and Compliance Department (CBR)** - Reinforces high standards for IFC's professional conduct and management of business and compliance risks, which includes requiring high standards of integrity in IFC clients and partners and managing operational conflicts of interest.

**Special Operations Department (CSO)** - Seeks to resolve problems and special issues arising in IFC's portfolio related to debt, equity, quasi-equity, and other types of investment instruments.





## What are the Oversight and Accountability Units of the WBG?

The WBG has a comprehensive oversight architecture to mitigate the inherent riskiness of its activities and underpin the soundness of each institution. It mainly rests on five oversight and accountability units, commonly referred to as the “5 I’s”, as well as the Sanctions Board.

The “5 I’s” report directly to IFC’s Board of Directors or to the President and support the Board’s oversight by providing independent evaluations of operational performance, policy compliance, and development effectiveness to help the WBG achieve its mission and maintain its reputation.

**Internal Audit Department (IAD)** - Evaluates, audits and provides recommendations to the WBG to improve the effectiveness of risk management, internal controls, and governance processes.

**Independent Evaluation Group (IEG)** - Evaluates the relevance, efficacy and efficiency of WBG operational programs and activities and their contributions to development effectiveness to enhance accountability and inform the formulation.

**Integrity Vice Presidency (INT)** - Investigates allegations of fraud and corruption in WBG-financed projects, while also assisting in the prevention of integrity risks by supporting diagnostic reviews.

**Compliance Advisor/Ombudsman (CAO)** - The environmental and social recourse mechanism for IFC and MIGA for responding to external complaints filed by project-affected people. CAO facilitates dispute resolution and oversees IFC’s review of clients’ implementation and compliance with IFC’s environmental and social performance standard. CAO’s authority does not apply to IBRD/IDA, but does extend to MIGA.

**Inspection Panel (IPN)** - Investigates IBRD/IDA financed projects to determine whether IBRD/IDA has complied with its policies and procedures (including social and environmental safeguards), and addresses related issues of harm. IPN’s investigative authority does not extend to IFC/MIGA financed projects.

Through their different roles, each of the WBG oversight and accountability units contributes to the common overarching WBG goals and mission, and supports the Board’s oversight of management and accountability towards external stakeholders, project affected communities, donors and borrowers alike.

The Sanctions Board determines if an accused participant in a WBG-financing engaged in a Sanctionable Practice (a corrupt, fraudulent, coercive, collusive or obstructive practice) and, if so, determines an appropriate sanction, which can include debarment from future WBG financings for a specified period.

## ANNEX A: Member Countries

Date of Membership	Members (184)
July 20, 1956	Australia
	Bolivia
	Canada
	Colombia
	Costa Rica
	Denmark
	Ecuador
	Egypt, Arab Republic of
	El Salvador
	Ethiopia
	Finland
	France
	Germany
	Guatemala
	Haiti
	Honduras Jul 20, 1956
	Iceland
	India
	Japan
	Jordan
	Mexico
	Nicaragua
	Norway
	Pakistan
	Panama
	Peru
	Sri Lanka
	Sweden
	United Kingdom
	United States

Date of Membership	Members (184)
July 27, 1956	Paraguay
September 26, 1956	Israel
September 28, 1956	Austria
October 4, 1956	Luxembourg
December 3, 1956	Myanmar
	Thailand
December 19, 1956	Turkey
December 27, 1956	Belgium
	Iraq
	Italy
December 28, 1956	Iran, Islamic Republic of
	Lebanon
	Netherlands
	Venezuela, Republica Bolivariana de
December 31, 1956	Brazil
April 3, 1957	South Africa
April 15, 1957	Chile
August 12, 1957	Philippines
September 23, 1957	Afghanistan
September 26, 1957	Greece
March 20, 1958	Malaysia
April 3, 1958	Ghana
September 11, 1958	Ireland
September 18, 1958	Libya
October 13, 1959	Argentina
March 24, 1960	Spain
October 21, 1960	Sudan
March 30, 1961	Nigeria
August 31, 1961	New Zealand
October 31, 1961	Dominican Republic

Date of Membership	Members (184)
March 2, 1962	Cyprus
March 28, 1962	Liberia
June 28, 1962	Syrian Arab Republic
July 25, 1962	Tunisia
August 30, 1962	Morocco
August 31, 1962	Senegal
	Somalia
September 4, 1962	Togo
September 10, 1962	Sierra Leone
	Tanzania
September 13, 1962	Kuwait
September 18, 1962	Saudi Arabia
March 11, 1963	Cote d'Ivoire
September 27, 1963	Madagascar
	Uganda
February 3, 1964	Kenya
March 16, 1964	Korea, Republic of
March 31, 1964	Jamaica
July 19, 1965	Malawi
September 23, 1965	Zambia
January 7, 1966	Nepal
July 8, 1966	Portugal
January 4, 1967	Guyana
August 4, 1967	Vietnam
December 29, 1967	Mauritania
April 23, 1968	Indonesia
August 22, 1968	Uruguay
September 4, 1968	Singapore
September 23, 1968	Mauritius
January 15, 1969	China
September 22, 1969	Swaziland
April 15, 1970	Congo, Democratic Republic of

Date of Membership	Members (184)
May 22, 1970	Yemen, Republic of
October 20, 1970	Gabon
June 10, 1971	Trinidad and Tobago
September 29, 1972	Lesotho
February 20, 1973	Oman
June 28, 1974	Samoa
October 1, 1974	Cameroon
August 20, 1975	Burkina Faso
August 28, 1975	Grenada
October 9, 1975	Papua New Guinea
November 6, 1975	Rwanda
June 18, 1976	Bangladesh
March 25, 1977	Guinea-Bissau
September 30, 1977	United Arab Emirates
May 9, 1978	Mali
March 23, 1979	Botswana
July 12, 1979	Fiji
November 28, 1979	Burundi
January 7, 1980	Niger
June 25, 1980	Barbados
July 21, 1980	Solomon Islands
September 29, 1980	Dominica
	Zimbabwe
October 1, 1980	Congo, Republic of
	Djibouti
June 11, 1981	Seychelles
September 28, 1981	Vanuatu
March 19, 1982	Belize
April 28, 1982	St. Lucia
October 22, 1982	Guinea
February 2, 1983	Maldives
September 19, 1983	Gambia, The

Date of Membership	Members (184)
September 24, 1984	Mozambique
April 29, 1985	Hungary
October 23, 1985	Tonga
October 2, 1986	Kiribati
December 8, 1986	Bahamas, The
February 5, 1987	Benin
April 15, 1987	Antigua and Barbuda
December 29, 1987	Poland
September 19, 1989	Angola
May 2, 1990	Cabo Verde
September 23, 1990	Algeria
	Romania
September 25, 1990	Namibia
February 14, 1991	Mongolia
April 1, 1991	Central African Republic
July 22, 1991	Bulgaria
October 15, 1991	Albania
January 10, 1992	Equatorial Guinea
January 29, 1992	Lao People's Democratic Republic
May 29, 1992	Switzerland
July 13, 1992	Comoros
September 23, 1992	Marshall Islands
November 2, 1992	Belarus
January 1, 1993	Czech Republic
	Slovak Republic
January 15, 1993	Lithuania
February 11, 1993	Kyrgyz Republic
February 25, 1993	Bosnia and Herzegovina
	Croatia
	Macedonia, former Yugoslav Republic of
	Serbia
	Slovenia

Date of Membership	Members (184)
April 12, 1993	Russian Federation
June 24, 1993	Micronesia, Federated States of
August 9, 1993	Estonia
September 29, 1993	Latvia
September 30, 1993	Kazakhstan
	Uzbekistan
October 18, 1993	Ukraine
December 2, 1994	Tajikistan
March 10, 1995	Moldova
April 18, 1995	Armenia
June 29, 1995	Georgia
September 22, 1995	Bahrain
October 11, 1995	Azerbaijan
	Eritrea
March 7, 1996	St. Kitts and Nevis
March 26, 1997	Cambodia
May 29, 1997	Turkmenistan
December 16, 1997	Palau
April 2, 1998	Chad
December 1, 2003	Bhutan
October 2, 2004	Timor-Leste
June 1, 2005	Malta
January 18, 2007	Montenegro
October 11, 2008	Qatar
	Sao Tome and Principe
June 29, 2009	Kosovo
September 1, 2011	Suriname
April 18, 2012	South Sudan

## Annex B: Board of Directors

Office	Constituency
EDS01	United States
EDS02	Japan
EDS03	United Kingdom
EDS04	France
EDS05	Germany
EDS06	Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, Tunisia
EDS07	Antigua and Barbuda, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, The Bahamas
EDS08	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay
EDS09	Australia, Cambodia, Federated States of Micronesia, Kiribati, Marshall Islands, Mongolia, New Zealand, Palau, Papua New Guinea, Republic of Korea, Samoa, Solomon Islands, Tuvalu, Vanuatu
EDS10	Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovak Republic, Slovenia, Turkey
EDS11	Arab Republic of Egypt, Bahrain, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Republic of Yemen, United Arab Emirates
EDS12	Bangladesh, Bhutan, India, Sri Lanka
EDS13	Benin, Burkina Faso, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Cote d'Ivoire, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Republic of Congo, Sao Tome and Principe, Senegal, Togo
EDS14	Botswana, Burundi, Eritrea, Ethiopia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Rwanda, Seychelles, Sierra Leone, Somalia, South Sudan, Sudan, Swaziland, Tanzania, The Gambia, Uganda, Zambia, Zimbabwe
EDS15	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, Trinidad and Tobago
EDS16	Brunei Darussalam, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, Vietnam
EDS17	China
EDS18	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Republica Bolivariana de Venezuela, Spain
EDS19	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Former Yugoslav Republic of Macedonia, Georgia, Israel, Moldova, Montenegro, Netherlands, Romania, Ukraine
EDS20	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden
EDS21	Albania, Greece, Italy, Malta, Portugal, San Marino, Timor-Leste
EDS22	Saudi Arabia
EDS23	Russian Federation, Syrian Arab Republic
EDS24	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, Uzbekistan
EDS25	Angola, Nigeria, South Africa





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