How We are Governed

GOVERNANCE

IFC coordinates its activities with the other institutions of the World Bank Group but is legally and financially independent. Our 178 member countries provide IFC’s share capital and collectively determine our policies through a Board of Governors and a board of 24 directors.

Voting power is weighted according to the share capital each director represents. The five countries with the largest voting power are the United States (23.66 percent), Japan (5.87 percent), Germany (5.36 percent), France (5.04 percent) and the United Kingdom (5.04 percent). Voting, however, is very rarely used as a means of reaching decisions. IFC’s Board emphasizes rigorous discussion as a means of reaching consensus.

The World Bank Group Directors meet regularly at headquarters in Washington, DC, where they review and decide on investment projects and provide overall strategic guidance to IFC management. In 2005, the World Bank and IFC agreed to begin disclosing board meeting minutes to the public.

Directors also serve on one or more standing committees, which help the Board fulfill its oversight responsibilities by examining policies and procedures in depth:

• The Audit Committee, which advises on financial and risk management, corporate governance, and oversight issues.
• The Budget Committee, which considers business processes, administrative policies, standards, and budget issues that have a significant impact on the cost-effectiveness of Bank Group operations.
• The Committee on Development Effectiveness, which focuses on operations and policy evaluation and development effectiveness with a view to monitoring progress on poverty reduction.
• The Personnel Committee, which advises on compensation and other significant personnel policies.
Paul Wolfowitz is President of IFC and the other World Bank Group institutions and serves as chairman of the boards. Lars Thunell, IFC’s Executive Vice President, oversees IFC’s day-to-day operations and leads IFC’s Management Group. Comprised of IFC’s five Vice Presidents and four Senior Directors, the Management Group is responsible for IFC’s key decision-making and strategic planning, including close oversight of investment decisions.

ACCOUNTABILITY

Two independent units work to ensure IFC’s accountability to shareholders, as well as its accessibility to impacted and concerned stakeholders. They are the Independent Evaluation Group (previously known as the Operation Evaluation Group) and the Compliance/Advisor Ombudsman. A third unit, the Internal Auditing Department, monitors internal controls and governance.

Independent Evaluation Group

The Independent Evaluation Group in IFC (IEG) is responsible for the post-evaluation function within the institution. It provides accountability for achievement of IFC’s objectives, identifies lessons from past experience to improve IFC’s operational performance, and reinforces corporate objectives and values among staff.

In each year since 1996, IFC has undertaken self-evaluations of a random sample of projects that have reached early operating maturity. These expanded project supervision reports are prepared by investment staff, and their findings are independently verified by IEG.

As part of these evaluations, IFC rates a project’s environmental, social, and health and safety effects as one of the four standard development outcome indicators in helping to foster sustainable development results on the ground. In addition, IEG started in 2003 to separately evaluate and rate IFC’s work quality in projects from a social and environmental point of view. IEG regularly evaluates IFC’s operations and reports on the degree to which IFC is achieving its relevant strategic objectives.

Summaries of these evaluations are already published online. As part of IEG’s revised disclosure policy, reports that are sent to IFC’s Board after April 2006 will be made available as well. These offer stakeholders information on our contribution to successful development outcomes and efforts toward continuous improvement.

Compliance Advisor/Ombudsman

The Compliance Advisor/Ombudsman was established in 1999 — as an innovation in accountability — to help IFC and MIGA (the Multilateral Investment Guarantee Agency) address the concerns of affected individuals and communities and to enhance the social and environmental outcomes of projects.

Reporting directly to the President of the World Bank Group, the CAO plays three distinct but complementary roles.

In its advisory role, the CAO provides independent advice to the President and management on broader
environmental and social policies, guidelines, procedures, and resources. The CAO to date has conducted a major independent review of IFC’s Safeguard Policies and a sampling of oil, gas, and mining projects as a contribution to the Extractive Industries Review. It has also examined the significance of human rights in private investment projects sponsored by IFC and MIGA.

In its compliance role, the CAO oversees audits of IFC’s social and environmental performance in order to ensure compliance with policies, guidelines, procedures, and systems.

As Ombudsman, the CAO responds to complaints by individuals or groups who are affected by projects in which IFC invests or is involved, and attempts to resolve issues fairly. The CAO encourages complainants to seek recourse with the project sponsor or IFC before submitting a complaint to the Ombudsman and emphasizes a problem-solving approach to addressing disputes.

IFC’s revised performance standards emphasize the need for companies to establish a grievance mechanism or procedure in order to receive and address the concerns of communities about their environmental and social performance. The CAO offers them an additional means of seeking recourse and assistance in resolving a dispute.

The CAO is focused on ensuring positive outcomes for the poorest and most vulnerable sectors of society. The CAO accepts complaints from any individual, group, community, entity, or other party affected or likely to be affected by the social and/or environmental impacts of an IFC or MIGA project. The complaint must relate to an aspect of the planning, implementation, or impact of an IFC or MIGA project, and there must be sufficient and specific grounds for the complaint.

In 2004-2005, the Ombudsman received 15 complaints, of which 4 were rejected, 10 have been assessed, 9 are ongoing, and 2 have been closed. In the same period, the CAO undertook one compliance audit. Information on complaints and audits accepted by the CAO as well as reports on findings and recommendations are published online.

IFC’s responses to the CAO’s reports are publicly available. Follow-up action in relation to CAO recommendations for both IFC and its clients is monitored as part of IFC’s supervision process until the CAO is able to close its investigation.

Based on its existing and historical caseload, the CAO is undertaking an analysis of emerging trends with respect to complaints lodged against IFC and MIGA projects and implementation of the CAO’s recommendations. The aim is to promote discussion within IFC and MIGA about improving institutional integrity and external accountability.

www.cao-ombudsman.org
**Internal Auditing Department**

The Internal Auditing Department (IAD) provides objective assurance and advice to help the World Bank Group enhance risk management, control, and governance, as well as improve accountability for results. Assurance services are generally initiated by IAD, while advisory services are generally initiated by internal client requests.

Advisory services are conducted primarily to answer specific questions aimed at improving risk management, control, or governance processes. Typical advisory services include analyzing controls built into systems under development, providing recommendations for analyzing operations, assisting in fraud and corruption investigations, and raising awareness of internal control activities.

**INTEGRITY AND CONFLICT RESOLUTION**

Staff and members of the public have a number of mechanisms to address ethical issues, harassment, and other issues of conflict.

The World Bank Group’s Conflict Resolution System offers ombudsman services, mediation, advice on ethics and business conduct, and an appeals committee and administrative tribunal.

An Ethics Helpline is available to staff and members of the public with issues relating to the World Bank Group. The line is completely anonymous, toll-free, staffed 24 hours a day, and multilingual. Calls can relate to any issue of any scale, such as staff misconduct, gifts, discrimination, or conflicts of interest.

www.worldbank.org/ethics

The Department of Institutional Integrity investigates allegations of fraud and corruption in World Bank Group operations and allegations of staff misconduct. Their external hotline is also anonymous, toll-free, always available, and multilingual.

www.worldbank.org/integrity
IFC was one of the first multilateral finance institutions to commit to high social and environmental standards of due diligence for all private sector investments.