

International Finance Corporation

An agency within the World Bank Group providing financing and technical assistance to the private sector in developing nations.

History

An institution within the World Bank Group, the International Finance Corporation (IFC) was created in 1956 out of a growing recognition by World Bank member states that development and poverty reduction could be further advanced through the growth of the private sector. When the IFC opened, it had only 12 full-time staff and \$100 million in capital. Further, it was only permitted to make loans and was restricted from making equity investments. In 1961, IFC gained the right to invest equity, now one of its main functions. It gradually expanded from these activities to supporting the operations of local banks and stock markets. In 1982, it created the first of many advisory facilities and, in 1984, became financially independent from the World Bank Group.



Gennadiy Ratushenko / World Bank

Throughout the 1990s and early 2000s, the IFC re-evaluated the impact of its lending practices on the environment and sustainability, launching new standards and reviewing policies which were later adopted by 68 major banks that work in development lending. It has also focused on transparency and openness, publishing project information online and working to improve responsiveness to its client nations by decentralizing operations and placing one half of its workforce in the field.

Objectives and Practices

The IFC's goal is to reduce poverty, create jobs, and maintain sustainable growth through open and competitive markets. Its efforts are focused on the poorest countries in the world, those served by the International Development Agency, through:

INVESTMENT SERVICES

Providing loans, equity finance, and risk management products - among other services - to private sector clients.

ADVISORY SERVICES

Offering technical assistance to both corporations and governments about best-business practices, creating investment-friendly business climates, accessing financing, and promoting public-private partnerships.

ASSET MANAGEMENT SERVICES

Managing funds for large institutions that are interested in increasing their exposure to emerging markets and accessing the returns generated by the IFC's approach to projects. The Asset Management Company invests alongside the IFC, providing even more funds for development work.

The IFC targets its financial and knowledge investments in key industries to address investment gaps that hold back otherwise strong opportunities for growth. It focuses on:

INNOVATION

Investing in companies that provide market-opening technologies like mobile phone and internet access to help remove communications and technology constraints on entrepreneurship.

INFLUENCE

Helping entire regions craft complementary business laws to spur the creation of small- and medium-sized enterprises that provide needed employment.

INFRASTRUCTURE

Updating physical infrastructure to make utility companies more cost-effective and sustainable, allowing them to reach underserved communities.

How does the IFC determine the impact of its projects?

The IFC uses a set of standard indicators to evaluate the results of its projects and to assess their impact on broader development goals.

First, it identifies the broad development goals to be achieved by each project. Throughout the project until its closure, it follows results with its Development Outcome Tracking System which allows for real-time updates by staff supervisors. After a project's end, the IFC and outside experts evaluate its impact in terms of poverty reduction.

At least once a year, the IFC reports on its development effectiveness as part of its accountability as a public institution.

Who are the members of the IFC?

The IFC has 184 member countries that have ownership of the organization and who direct and orient its goals and policies. Members must first be members of the World Bank (IBRD).



IFC

Why are they called "Bretton Woods" institutions?

The name derives from the town of Bretton Woods, New Hampshire, in the United States, where the United Nations Monetary and Financial Conference was held in 1944.

During the conference, member nations agreed to create a family of international financial institutions (IFIs), including the World Bank Group and the International Monetary Fund. Regional multilateral development banks (MDBs) are associated IFIs.