

# IFC at a Crossroads

## *Business Model, Governance, and the Leadership Question*

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### The Governing Argument

The first two papers in this series established that IFC's credit rating does not measure its development performance, and that the institutional relationship with IDA is not reciprocal. This paper addresses the two questions that follow: why has IFC's leadership been unable to correct the trajectory, and what change in leadership profile is required for correction to be possible? The answer is structural and specific. IFC's business model — Washington-based, sponsor-led, financial-intermediary-heavy — is incompatible with effective delivery in the fragile and conflict-affected states it exists to serve. The governance architecture that might self-correct this failure has demonstrated in June 2026 that it will not. And the leadership appointment that can change the trajectory will be made during the IDA22 replenishment cycle — the one moment when the IDA donor governments who fund IDA have maximum institutional leverage over IFC's governance. This paper documents the mechanism, names the failure, and proposes the governance interventions that the IDA22 process can require. A reform matrix consolidating all seven proposed reforms is set out in the Annex.

**9%**

IFC IDA-country LTF share (2023) vs 40% commitment made in 2018

**11%**

FCS development outcome rate MS+, IEG RAP 2023, CY2020–22

**5.2%**

Average FCS commitment share over a decade — no upward trend

**4–5%**

IFC staff in FCS locations vs 40% program target

## *Executive Summary*

In 2018, IFC secured a \$5.5 billion paid-in capital increase on the commitment that 40 percent of its program would go to IDA-eligible and fragile and conflict-affected states by 2030. The current share is 9 percent. Its FCS development outcome rate is 11 percent — measured against IFC's own corporate benchmark, down from 50 percent a decade ago. This paper, the third in the IFC Accountability Series, explains why: the failure is not one of strategy, resources, or effort. It is the predictable output of a business model, a governance architecture, an incentive structure, and a leadership selection process that reinforce each other — and that will not self-correct.

### **The Business Model: Five Structural Layers**

IFC's delivery failure in hard markets has five compounding layers. First, staff geography: only 4–5 percent of IFC's 3,800 staff are based in FCS locations — approximately 180 people covering markets intended to account for 40 percent of the program. Second, approval architecture: every transaction is approved by a Washington committee; field offices have no delegated investment authority, so deals stall while windows close. Third, the financial intermediary shortcut: 48 percent of IFC's portfolio is FI lending, which counts as IDA-country exposure without IDA-country presence — IFC does not originate, see, or evaluate the end investment. Fourth, incentives: investment officers are rewarded for volume closed, not development outcomes delivered; IEG ratings arrive years later and do not affect advancement. Fifth, supervision: a middle-income monitoring model applied to fragile markets means failures compound before they appear in data. Each layer reinforces the others. The comparators prove the point: BII delivers 35–40 percent FCS

concentration and Proparco 45 percent Africa exposure with none of IFC's structural advantages — no PSW, no IDA pipeline, no AAA anchored in callable capital.

### **The Governance Failure: Cambodia and the Precedent**

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In June 2026, the IFC Board overrode a CAO noncompliance finding in the Cambodia microfinance case — a PSW-financed investment where IDA donor capital was at risk. The CAO Director General resigned. Sixty civil society organisations condemned the decision. The significance is not the individual case but the precedent: the Board that approved the investment adjudicated whether the investment was compliant, without a published vote or independent review. If the Board can do this once, no future CAO finding can be considered final. The three accountability mechanisms in IFC's architecture have each reached their structural limit: the CAO investigates but cannot enforce; IEG evaluates but management is not required to act; the Board approves everything and overrides the rest. The architecture is not broken. It is working as designed. That is the problem.

### **The Leadership Question**

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The paper documents the leadership backgrounds and FCS outcomes of all five recent IFC Managing Directors. Every MD before the current appointment brought substantive commercial investment or capital markets experience; the FCS outcome rate during their tenures ranged from 22 to 56 percent MS+. The current appointment departs from that profile, and the current cohort rate is 11 percent. The pattern does not establish causation — multiple factors influence outcomes — but it establishes a legitimate governance question: what competencies does an institution require when its defining function is private investment in the world's most difficult markets and its balance sheet is a standalone AAA with \$37 billion in liquid assets? The answer should be published, non-negotiable appointment criteria — not informal considerations.

### **The IDA22 Lever**

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IFC's \$9.9 billion PSW subsidy is renewed through the IDA replenishment process. That gives IDA donor governments direct leverage — the only external leverage over IFC's governance that exists. Three recommendations follow:

- 1. Reform MD appointment criteria.** Condition PSW renewal on published, non-negotiable selection criteria including demonstrated private sector investment experience. A governance condition, not a judgment on any individual.
- 2. Tie PSW renewal to performance.** Renewal conditional on the IDA-country share showing an upward trend from 9%. Open 25% of PSW resources to competitive allocation across accredited DFIs. No trend, no unconditional renewal.
- 3. Link IEG findings to mandatory Board action.** Management response within 90 days and a published Board resolution. CAO findings presumptive unless overridden by a two-thirds supermajority with a published vote.

A reform matrix consolidating all seven proposals across the three papers of this series — with named actors and timing — is at the end of the paper. IDA22 is the only point in the replenishment cycle at which donor governments possess meaningful leverage over IFC's governance. If they do not use it now, the opportunity will not return until the next replenishment.

## I. The Origination Gap — Why the Business Model Fails in Hard Markets

IFC has committed to raising its IDA-eligible and FCS country program to 40 percent of total commitments by FY2030. It committed to this as the development justification for a \$5.5 billion paid-in capital increase in 2018. The current share is 9 percent. This is not a measurement gap. It is not a strategy gap. It is an origination gap — and it is structural.

### The Staff Geography

IFC employs approximately 3,800 staff. Roughly half are based in Washington. Of those in the field, IEG’s evaluation of IFC’s FCS engagement documented that IFC staff based in FCS locations increased from 89 in FY2019 to approximately 147 by end of FY2021 — approximately 4 to 5 percent of total staff. These 147 people are expected to originate, structure, and supervise the investments in the markets that are supposed to account for 40 percent of the program. The arithmetic does not work, and no programme has changed it.

**“The arithmetic does not work, and no programme has changed it.”**

| Metric                       | FY2019 | FY2021 | FY2024 (est.) | Implication              |
|------------------------------|--------|--------|---------------|--------------------------|
| Total IFC staff              | ~3,400 | ~3,600 | ~3,800        | —                        |
| Staff in FCS locations       | 89     | 147    | ~180          | 4–5% of total            |
| FCS offices                  | 18     | 24     | ~26           | vs 130+ country presence |
| FCS staff as % of total      | ~2.6%  | ~4.1%  | ~4.7%         | Against 40% FCS target   |
| FCS share of LTF commitments | ~5%    | ~5%    | 5.2%          | No upward trend          |

Source: IEG, IFC and MIGA Support for Private Investment in FCS FY2010–21 (2022); IFC Annual Reports. est. = estimated.

### The Sponsor-Led Model

IFC’s deal pipeline is generated through relationships with sponsors: private equity funds, financial intermediaries, multinational corporates, and development finance co-investors. These sponsors bring IFC transactions; IFC structures and approves them. The model works well in markets where investable sponsors exist and where IFC’s network is active. It produces deals in India, Indonesia, Vietnam, and Brazil. It does not produce deals in South Sudan, the Central African Republic, or the Democratic Republic of the Congo — because the sponsor ecosystem in those markets is thin, and because IFC’s network is not there.

The 48 percent financial intermediary share of IFC’s portfolio (documented in Paper 1 of this series) is the product of this model: it is easier to lend to a regional bank in Nairobi than to originate a direct investment in Bangui. The bank counts as FI exposure; the development impact at the end borrower is unverifiable. IFC’s financial metrics improve; its mandate delivery does not.

BII (UK) solved this by building genuine regional origination capacity: local offices with origination mandates and investment authority, not supervision functions. Proparco solved it by accepting a smaller, more concentrated portfolio with higher FCS and Africa exposure. Both institutions accepted the portfolio quality cost — no AAA for Proparco; no carry trade for BII — and delivered the mandate. IFC has not made that trade-off because its financial model does not require it to.

## **The Washington Problem**

The 40 percent FCS target was set in Washington. The investments needed to meet it would have to be made in Kabul, Kinshasa, Bangui, and Mogadishu. The gap between where strategy is set and where delivery must occur is not a communications failure. It is a business model failure. As Koldo Echebarria (CGD, December 2024) identifies: ‘to make an impact in FCS through private sector investment, MDBs need to reinforce coordination between non-sovereign and sovereign guaranteed windows.’ IFC has not built that coordination because doing so would require the sovereign side of the WBG — the Country Directors and their IDA programme — to subordinate commercial deal origination to sector strategy. The architecture keeps them separate.

### **Layer 2: The Approval Architecture**

Every IFC investment requires approval by an investment committee based in Washington. Field staff in FCS locations do not have delegation of authority to approve transactions. They can identify, and they can advocate. They cannot close. A field investment officer in Monrovia who identifies a viable agribusiness transaction must build the investment case, write the investment memo, present to a Washington committee, respond to rounds of questions from people who have never seen the market, and wait for approval before anything can be signed. This process takes months. In markets where a window of political stability or a viable counterpart can close in weeks, a centralised approval architecture is not a procedural inconvenience. It is a structural barrier to origination. BII and Proparco both delegate approval authority to regional offices. IFC does not. The approval architecture is consistent with running a middle-income emerging market lending book from Washington. It is not consistent with originating direct investment in fragile states.

### **Layer 3: The Financial Intermediary Shortcut**

Forty-eight percent of IFC’s portfolio is financial intermediaries: commercial banks, microfinance institutions, leasing companies, and investment funds. The FI model allows IFC to claim FCS and IDA-country exposure without FCS or IDA-country presence. A \$100 million loan to a regional bank headquartered in Nairobi counts as an IDA-country commitment even if the bank deploys the capital in Kampala. IFC does not originate the end investments. IFC does not supervise the end borrowers. IFC does not know what the money financed. The development impact at the end borrower is not measured, not attributed, and not evaluated by IEG in the same way a direct investment is.

The PSW amplifies this problem. Of PSW transactions, 35.2 percent are financial intermediary projects — the instrument type with the highest average subsidy ratio (69 percent) and the most indirect development impact. IDA donor capital is flowing into the highest-subsidy, least-transparent, most-indirect investment type at scale. For IFC’s investment officers, the FI model is rational: a large FI transaction can be originated from Washington, closed in weeks, and counted against the IDA-country and FCS commitment targets. A direct equity investment in a fragile market requires two years, field presence, and bespoke documentation for a fraction of the volume. The FI model is not a deliberate failure. It is the rational product of an incentive structure that rewards volume over mandate delivery.

### **Layer 4: The Incentive Structure**

IFC investment officers are rewarded for deals closed, volume committed, and portfolio growth. These are the metrics that drive promotion, compensation, and recognition. Development outcome

ratings — produced by IEG eighteen months to three years after project close — are not systematically tied to the compensation or advancement of the investment officer who originated the deal. The officer who closes a \$200 million financial intermediary transaction in three months and the officer who spends two years building a direct equity investment in a fragile state advance at the same rate on the same criteria. The institution says it wants the second outcome. Its incentive structure produces the first.

This is not unique to IFC. Most large financial institutions reward volume. What is distinctive is that IFC's stated mandate — private investment in the world's most difficult markets — is structurally in conflict with the incentive structure that drives its investment officers' behaviour. Until IFC ties performance measurement to independently verified development outcomes in IDA and FCS markets, and until those outcomes influence advancement, the incentive points away from the hard markets. The PSW cannot change this. The capital increase did not change this. No programme has changed this.

### Layer 5: The Supervision Gap

IFC's post-investment supervision model was designed for middle-income markets where financial statements are audited, legal systems are functional, and quarterly management accounts are meaningful. In FCS markets, none of these conditions reliably hold. Financial statements arrive late, are prepared by staff without formal accounting qualifications, and may not reflect actual operations. Legal remedies are slow or unavailable. Covenant breaches are common. The investment that looks manageable on paper in Washington is deteriorating in the field, and the field officer who could see it is too junior and too thinly stretched to escalate effectively.

The consequence is that FCS investments degrade further and faster than the portfolio data suggests, and that problems which would be caught early in a well-supervised middle-income market are caught late — or not caught until IEG evaluates the project at closing. The 11 percent MS+ FCS outcome rate is the downstream result of five structural layers that begin with who does the origination and end with who does the supervision. None of these layers is addressed by adding staff, expanding the Africa Fragility Initiative, or increasing PSW allocation.

| #  | Layer                 | Mechanism   | Development Consequence  |
|--|-----------------------|---|--|
| 1  | Staff Geography       | Only 4–5% of IFC's 3,800 staff are in FCS locations. 180 people are expected to originate and supervise investments in markets intended to account for 40% of the program.  | <b>Pipeline cannot be built from Washington. Field staff too thin to originate at scale.</b>                                       |
| 2  | Approval Architecture | No delegation to field offices. Every transaction approved by a Washington committee whose members have not seen the market. Process takes months.  | <b>Investment windows in fragile markets close while approvals pend. Deal flow stalls.</b>   |
| 3  | FI Shortcut           | 48% of IFC's portfolio is financial intermediaries. A Nairobi bank loan counts as IDA-country exposure. IFC does not originate or evaluate the end investment. 35.2% of PSW is FI — highest subsidy, lowest transparency. | <b>IDA-country targets met on paper by indirect lending. Mandate delivery uncounted and unverified.</b>                            |
| 4  | Incentive Structure   | Investment officers rewarded for volume closed and portfolio growth. Development outcome ratings arrive 18–36 months post-close and are not tied to compensation or advancement.  | <b>Rational behaviour points toward large, fast, familiar transactions. Hard markets are penalised by the incentive structure.</b> |
| 5  | Supervision Gap       | Post-investment supervision designed for middle-income markets. In FCS: financials arrive late, legal remedies unavailable, field officer too junior to escalate. Problems compound before they appear in data.           | <b>FCS investments deteriorate faster than portfolio data shows. Failures caught at IEG evaluation — too late to recover.</b>      |
| <b>OUTCOME: 11% FCS development outcome rate (MS+) · 9% IDA-country share · 5.2% FCS average · No upward trend in a decade</b> |                       |   |  |

Figure 3. The Five Layers of the DC Origination Problem — each layer compounds the previous to produce IFC's FCS delivery failure. Sources: IEG, IFC and MIGA Support for Private Investment in FCS FY2010–21 (2022); IFC Annual Reports; IFC FY2026 Investor Presentation.

The DC origination problem has five structural layers: staff geography, approval architecture, financial intermediary shortcut, misaligned incentives, and supervision gap. Each reinforces the others. The 11% FCS outcome rate and the 9% IDA-country share are not independent failures. They are the predictable output of a system designed to originate deals in Washington and count them as FCS delivery.

The origination gap is not a resource problem. IFC received \$9.9 billion in PSW first-loss support to address it. It is a business model problem: Washington-based, sponsor-led, financial-intermediary-heavy, and structurally unsuited to the markets it exists to serve. The gap between the 40% commitment and the 9% reality is the distance between IFC's stated mandate and its operating model.

# THE INSTITUTIONAL FAILURE LOOP

Why IFC Cannot Self-Correct — and What IDA22 Can Do About It

IFC received \$9.9 billion in IDA subsidy to expand in fragile markets.  
This is what happened instead.



## THE ONLY EXIT

IDA22 replenishment gives donor governments leverage over PSW renewal — the one moment external to the loop.

✓ Tie PSW renewal to IDA-country performance

✓ Reform MD appointment criteria

✓ Link IEG findings to mandatory Board action



If not used now: opportunity does not return until the next replenishment.



**\$9.9 BILLION**  
IDA PSW to IFC  
IDA18–IDA21



**11%**  
FCS outcome rate  
MS+, IEG CY2020–22



**ZERO**  
Governance consequences  
triggered in 7 years

Figure 1. The Institutional Failure Loop — Why IFC Cannot Self-Correct and What IDA22 Can Do About It. MDB Reform Advisory, July 2026. See [mdbreform.com](http://mdbreform.com) for full resolution.

## II. Why Governance Cannot Self-Correct

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Papers 1 and 2 of this series documented the governance events that rating agencies have not assessed and IDA donors have not priced. This section states the pattern they form and its institutional implication.

### Cambodia and the Structure of the Failure

In June 2026, the IFC Board made a determination in the Cambodia microfinance case that deserves more analytical attention than it has received. The sequence matters. IFC invested in PRASAC, a Cambodian microfinance institution, through the IDA Private Sector Window. IDA donor capital was at risk. PRASAC's microfinance operations generated complaints from borrowers alleging predatory lending, debt traps, and land seizure. The CAO — IFC's independent accountability mechanism — investigated and issued a finding of noncompliance with IFC's own Performance Standards on client protection and financial inclusion.

IFC management contested the CAO's finding. The Board was asked to adjudicate. The Board voted to accept management's response and reject the CAO's noncompliance determination. The CAO Director General, Janine Ferretti, resigned. Sixty civil society organisations from over 30 countries condemned the decision as 'a dangerous accountability precedent that undermines CAO.' The voting record of individual Board members has not been published. The significance of Cambodia lies less in the underlying investment than in the precedent established. If the Board can overturn its independent accountability mechanism in one case without transparent voting or independent review, the credibility of future accountability findings becomes uncertain irrespective of sector or country. The precedent is not about microfinance in Cambodia. It is about whether any CAO finding can be considered final.

*“The Board that approved the investment adjudicated whether the investment was compliant. It found, in effect, that it was. There is no governance architecture in which this outcome is credible.”*

### The Structural Problem: The Board Cannot Approve and Also Review

This is not a one-off failure. It is the product of a structural impossibility at the heart of IFC's governance. The IFC Board approves every investment. It sets strategy. It reviews management performance. And when an accountability mechanism finds that an investment has breached the institution's own standards, it is the same Board that decides whether the finding stands. The approver and the reviewer are the same body.

In corporate law, this conflict is resolved by independent audit committees, external auditors, and judicial review. In IFC's architecture, it is resolved by the Board voting on whether its own prior approval was compliant with the standards it also approved. The Cambodia determination is the outcome that architecture was always capable of producing. It did not fail in June 2026. It worked exactly as designed.

The underlying problem is documented in two papers already published at [mdbreform.com](http://mdbreform.com): 'When Accountability Becomes Optional — The IFC Board, the CAO, and the Precedent Set in Cambodia' and 'Who Is Minding the Ship? The Board That Approves Everything.' Both are available at [mdbreform.com](http://mdbreform.com). The argument in both is the same: an Executive Board that approves everything is structurally incapable of holding management to account for the decisions it has already endorsed.

IFC's governance architecture requires the Board to be simultaneously the author and the auditor of institutional decisions. It cannot credibly perform both roles.

## IEG: Evaluation Without Consequence

The Cambodia determination is the acute failure. The IEG non-response pattern is the chronic one. IEG has produced evaluation after evaluation documenting IFC's FCS performance collapse, additionality shortfall, and PSW underperformance. The 11% MS+ FCS outcome rate in this paper's opening statistics is an IEG finding. The 33% additionality realisation rate is an IEG finding. The 'limited success' verdict on the PSW is an IEG finding. None has produced a financial consequence for IFC. None has activated a PSW condition. None has triggered a formal Board resolution requiring management to change course.

The architecture produces this outcome by design: IEG presents findings, management responds, the Board notes the exchange. There is no mechanism requiring implementation, no timeline for follow-up, and no sanction for non-response. The evaluation function is structurally separated from the accountability function. They could be connected. They are not.

**Three accountability mechanisms exist in IFC's governance architecture: the CAO, IEG, and the Board. The CAO investigates but cannot enforce. IEG evaluates but management is not required to act. The Board approves everything and in June 2026 overrode the one mechanism capable of producing a binding finding. The architecture is not broken. It is working as designed. That is the problem.**

Governance reforms alone, however well-designed, are unlikely to change institutional behaviour without incentive alignment. IFC management is currently rewarded primarily for volume, profitability, and portfolio growth — not for independently verified development outcomes in fragile states. The \$860 million in net Treasury income from the liquid asset carry trade counts identically to \$860 million in development finance returns from FCS markets. Until the incentive structure reflects the mandate, governance reform will reduce the frequency of accountability failures but will not change the underlying business model that produces them.

## What Governance Reform Requires

Three structural changes would close the gap between evaluation and accountability in IFC's governance architecture — without requiring changes to the IFC Articles of Agreement:

First, CAO noncompliance findings should have presumptive effect unless overridden by a Board supermajority (say, two-thirds) with published voting records. The current default — management can contest a CAO finding and the Board adjudicates without a published vote — must be reversed. Accountability requires transparency. A Board that overrides its own accountability mechanism should be required to say so publicly.

Second, IEG findings on IFC's FCS and IDA-country performance should require a formal management response within 90 days, with a Board resolution on implementation. The response and resolution should be published. This closes the gap between the evaluation function and the governance function that the current architecture leaves open.

Third, the Board cannot be the approver and the reviewer of the same decision. For accountability determinations involving CAO noncompliance findings, an independent panel — drawn from the Inspection Panel roster or an equivalent external body — should have advisory authority, with its findings published before the Board votes. This does not remove Board authority. It requires the Board to respond to an independent view before exercising it.

### III. Who Should Lead IFC

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#### The Appointment and Its Significance

IFC’s Managing Director appointment will be made in the near term by the WBG President, with the Board of Governors having ultimate authority. There is no open competition, no published selection criteria, and no formal mechanism for IDA donor governments to attach conditions. This has been the practice for all five recent appointments. IDA22 changes the leverage equation.

The PSW renewal — IFC’s \$9.9 billion subsidy — is negotiated as part of the IDA22 Deputies process. Donor governments have direct voice in that negotiation. The MD appointment criteria is the reform that can be conditioned on PSW renewal. A governance condition, not a personnel recommendation.

#### The Performance Pattern

The argument for changing IFC’s MD selection criteria rests on an institutional pattern, not on any individual’s record. The table below documents the leadership backgrounds and FCS performance trends across all five of IFC’s most recent Managing Directors.

| Managing Director   | Tenure       | Private Sector Background   | FCS Outcome Rate (IEG cohort)                      |
|---------------------|--------------|---|--|
| Peter Woicke        | 1999–2005    | J.P. Morgan 17 years — MD, Global Head Emerging Markets                           | Pre-IEG cohort series; institution building period |
| Lars Thunell        | 2006–2012    | SEB and Securum — CEO, commercial banking   | FCS share flat ~4.5%; post-GFC stability           |
| Jin-Yong Cai        | 2012–2016    | Goldman Sachs 18 years — MD, Asia   | Improving trend; 22% MS+ (CY2015–17)               |
| Philippe Le Houérou | 2016–2020    | IBRD career; EBRD VP immediately before IFC                                       | Recovery: 56% MS+ (CY2019–21)                      |
| Makhtar Diop        | 2021–present | World Bank VP; Senegal Finance Ministry; IMF — no private sector investment roles | COLLAPSE: 11% MS+ (CY2020–22); IDA share 20%→9%    |

Sources: IEG RAP 2022–2024; IFC Annual Reports; public career records. MS+ = Mostly Successful or better, IFC’s own corporate benchmark. The table documents association; multiple factors influence outcomes.

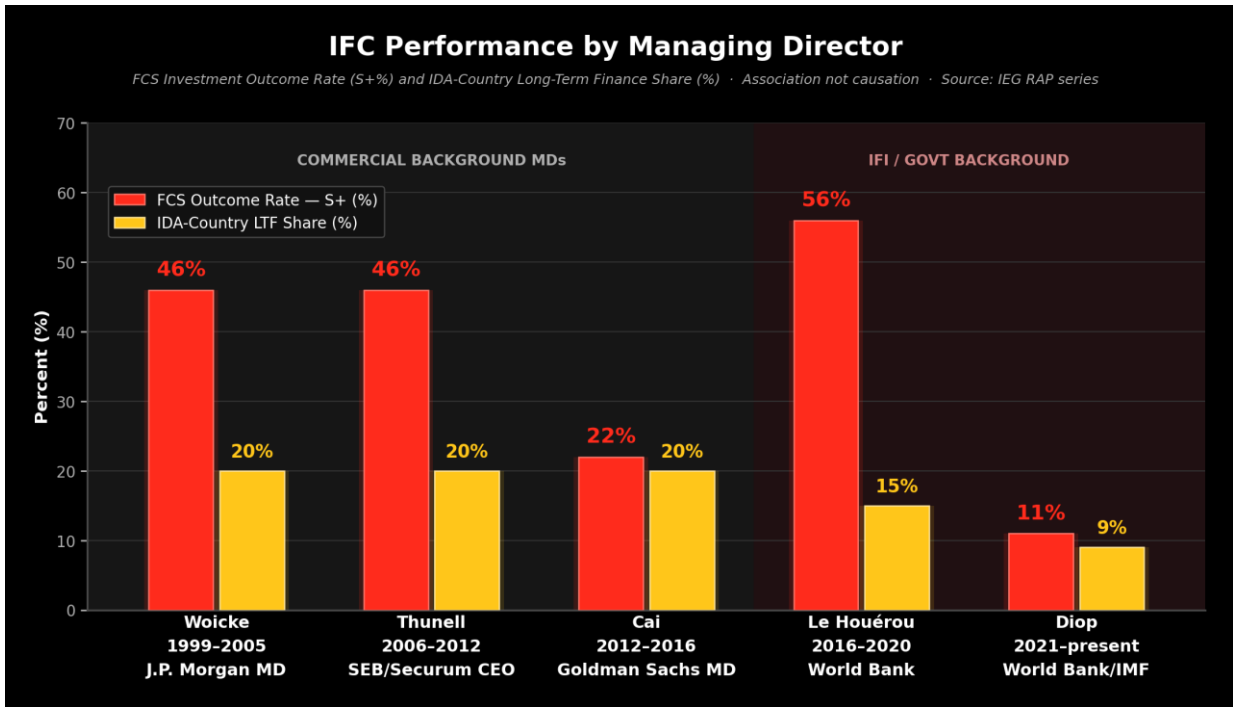


Figure 2. IFC FCS Outcome Rate (MS+%) by Managing Director Tenure — Background and Performance Pattern

The table requires careful reading. IFC’s FCS performance is influenced by multiple factors including global conditions, portfolio composition, instrument mix, and IDA cycle timing. The table does not establish sole causation. What it establishes is a pattern: the periods coinciding with leadership with substantive private sector investment experience produced different FCS outcomes than the period coinciding with leadership without it. The pattern is the argument.

**The Capital Markets Gap**

There is a second dimension of the leadership fit argument that has received less attention than the FCS performance record. IFC runs a standalone AAA balance sheet — \$37 billion in liquid assets, \$50 billion in outstanding bonds, a 40.1% risk-adjusted capital ratio, and a net Treasury income of approximately \$860 million in FY2024. No other WBG institution operates this balance sheet architecture. IBRD has callable capital; IDA has donor replenishments. IFC has a commercial balance sheet whose management requires the capital markets judgment that comes from having run one.

The current appointment represents a departure from the profile of all previous IFC Managing Directors, each of whom brought substantive commercial investment or capital markets experience — as investment bankers, commercial bank CEOs, or private equity practitioners. Whether this difference in leadership background explains the performance pattern documented in the preceding table cannot be established from the evidence alone. Multiple factors influence IFC’s outcomes. What the pattern does establish is a legitimate governance question: what competencies does effective IFC leadership require, and should those competencies be published non-negotiable criteria rather than informal considerations? The capital markets dimension of this question is specific. IFC runs a standalone AAA balance sheet — \$37 billion in liquid assets, \$50 billion in outstanding bonds, a 40.1% risk-adjusted capital ratio. Every Managing Director before the current appointment had direct exposure to institutions operating at that scale. The question is institutional, not personal: an

institution whose defining function is private sector investment in the world’s most difficult markets should be led by someone who has done it.

#### What This Paper Does Not Argue

- It does not argue that leadership background alone determines IFC performance. Multiple factors influence outcomes across IEG evaluation cohorts. The leadership pattern is evidence of a governance design question, not a causal claim.
- It does not argue that governance reform alone will change incentives. Structural reforms are necessary but not sufficient. Incentive realignment requires changes to how IFC measures and rewards performance internally.
- It does argue that the combination of business model, governance architecture, incentive structure, and leadership selection creates a persistent institutional pattern that will not self-correct. Each element reinforces the others. Reform that addresses only one element will be insufficient.

## IV. The IDA22 Moment

The IDA22 replenishment opens the governance window that does not exist between replenishments. Three structural changes — combined with the reform commitments documented in Papers 1 and 2 of this series — would change the institutional trajectory.

First, condition PSW renewal on the publication of formal, non-negotiable MD appointment criteria that include demonstrated private sector investment experience. This is a governance condition, not a recommendation on any specific candidate. It changes the pool for all future appointments.

Second, establish a FCS performance floor as a condition of PSW access in future cycles. If IFC’s independently-assessed FCS outcome rate falls below 25 percent MS+ in any evaluated cohort, PSW allocation is reduced proportionally. This creates the financial consequence that currently does not exist.

Third, mandate that IEG findings on IFC’s FCS performance require a formal management response within 90 days, with a Board vote on implementation. This closes the gap between evaluation and accountability that the current architecture leaves open.

As mentioned above, three specific leverage points exist within the IDA22 process:

| Lever                    | Mechanism   | Actor          | What It Requires  |
|--------------------------|---|----------------|---|
| PSW conditions           | Attach MD appointment criteria to PSW renewal                         | IDA22 Deputies | Published, non-negotiable: private sector investment experience |
| IDA transfer restoration | Make restoration of annual transfer conditional on appointment reform | IDA22 Deputies | Financial incentive for WBG President to appoint differently    |
| FCS performance floor    | PSW allocation reduced if IFC FCS MS+ falls below 25%                 | IDA22 Deputies | Ties future subsidy to mandate delivery                         |

*The governance leverage chain operates only if Steps 2–3 are activated during IDA22. Without PSW conditions, the appointment reverts to the WBG internal process.*

*“The IDA22 replenishment is the mechanism. The PSW renewal is the lever. The MD appointment criteria is the reform. Donors who attach conditions to PSW renewal have a credible path to changing the institutional leadership profile for the first time in the institution’s history.”*

Three papers. Fourteen structural issues. Seven reforms. IDA22 is the only point in the replenishment cycle at which IDA donor governments possess meaningful leverage over IFC's governance — over the PSW, over the transfer relationship, and over the conditions attached to the appointment that will determine IFC's direction for the next five to seven years. If they do not use that leverage now, the opportunity will not return until the next replenishment.

## V. Conclusion

The following seven reforms are the minimum set required to close the accountability gap documented in this series. They are not a wish list. Each addresses a specific structural failure identified across the three papers, with a named actor and a realistic governance lever. Three require IDA Deputy action at IDA22 — the one moment in the replenishment cycle when donor governments have maximum leverage. One requires Board action before IDA22 as a condition of PSW renewal. Three can be implemented by the Board immediately, at no financial cost.

- 1 Restore the Annual IFC → IDA Income Transfer — IDA22 Deputies · At IDA22**  
Minimum \$300–500 million per year, unconditional, not contingent on PSW access or investment performance. The 2018 arrangement should be formally renegotiated. The transfer was the institutional consideration IFC paid for the WBG platform advantages it receives. Suspending it without delivering the promised expansion broke the bargain. Restoring it resets the relationship on a reciprocal basis.
- 2 Open 25% of PSW to Competitive Allocation Across Accredited DFIs — IDA22 Deputies · At IDA22**  
A minimum of 25% of PSW resources allocated through open competition across accredited development finance institutions — BII, Proparco, FMO, DEG, and others meeting published criteria. The subsidy follows the best transaction in the hardest market, not the institution that designed the facility. If BII and Proparco can deliver 35–45% FCS and Africa concentration without PSW support, competitive allocation will find the deals.
- 3 Condition PSW Renewal on Demonstrated IDA-Country Expansion — IDA22 Deputies · At IDA22**  
Future PSW cycles conditional on IFC's IDA-country LTF share showing an upward trend from the current 9% toward the 20% baseline that existed before the PSW was created. No trend, no unconditional renewal. This creates the financial consequence for non-performance that has never existed in seven years of PSW operation.
- 4 Publish MD Appointment Criteria — Private Sector Experience Non-Negotiable — IDA22 Deputies (as PSW condition) · Before IDA22**  
Condition PSW renewal on IFC publishing formal, non-negotiable MD appointment criteria that include demonstrated private sector investment experience. This is a governance condition, not a recommendation on any specific candidate. It changes the candidate pool for all future appointments. An institution whose defining function is private sector investment in the world's most difficult markets cannot be effectively led by someone who has never done it.
- 5 Disclose PSW Fee Income and AAA Subsidy Quantum Annually — IFC Management / Board · Immediate**  
Every PSW project: public disclosure of IDA subsidy amount alongside IFC's arrangement, commitment, and management fees. IDA donors who fund the subsidy are entitled to know what IFC earns from it.

Separately, IFC should publish an annual estimate of its AAA funding cost advantage — the value of WBG membership to IFC's balance sheet — using a methodology reviewed by an independent financial institution.

**6 CAO Noncompliance Findings Presumptive — Override Requires Supermajority and Published Vote** — IFC Board · Immediate

CAO noncompliance findings have presumptive effect unless overridden by a two-thirds Board supermajority, with the voting record of each member published within 30 days. The current default — management contests, Board adjudicates privately — must be reversed. The Board cannot be the approver and the reviewer of its own decisions. The Cambodia determination is the predictable outcome of that architecture.

**7 IEG Findings Require Formal Management Response and Board Resolution — Both Published** — IFC Board · Immediate

IEG findings on IFC's FCS and IDA-country performance require a formal management response within 90 days, with a Board resolution on implementation. Both published. This closes the gap between the evaluation function and the governance function that the current architecture leaves open. Evaluation without consequence is not accountability.

Three papers in the IFC Accountability Series have documented fourteen structural issues in IFC's credit rating architecture, its IDA relationship, its business model, its governance, and its leadership profile. These seven reforms address the root causes, not the symptoms. IDA22 is the governance window. If donor governments do not use the leverage they hold now, it will not recur until the next replenishment.

*Parminder Brar is the founder of [mdbreform.com](http://mdbreform.com) and a former World Bank Country Manager and Lead Governance Specialist. Sources: IEG, IFC and MIGA Support for Private Investment in FCS FY2010–21 (2022); IEG RAP 2023–2024; IFC Annual Reports FY2018–2025; Echebarria, K., MDBs in FCS, CGD Policy Paper 347 (December 2024); IDA21 Report from the Executive Directors (2024); IFC FY2026 Investor Presentation. Papers 1 and 2 of this series: *The Other AAA* ([mdbreform.com/the-other-aaa](http://mdbreform.com/the-other-aaa)) and *The Broken Bargain* ([mdbreform.com/the-broken-bargain](http://mdbreform.com/the-broken-bargain)). Contact: [pbrar@mdbreform.com](mailto:pbrar@mdbreform.com)*