

The Other AAA

What IFC's Triple-A Rating Actually Rests On — and What It Doesn't

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 Sources: S&P Global Ratings IFC Credit Report (May 2025); Moody's IFC Credit Opinion (December 2025); IFC FY2026 Investor Presentation; G20 GRaFF Credit Rating Agency Paper (October 2025); S&P Multilateral Lending Institutions Ratings Methodology (October 13, 2025); S&P AIIB Report (April 2026). All financial data in USD unless otherwise noted.

Executive Summary

AAA/Aaa Rating: S&P / Moody's <i>Stable outlook, since 1989</i>	40.1% RAC Ratio (S&P) <i>FY2024, standalone, no callable capital</i>	\$0 Callable Capital <i>No backstop — pure standalone credit</i>	Ba3 WABR (Moody's) <i>Weighted avg borrower rating — speculative grade</i>
\$71.7bn FY2025 Total Commitments <i>Own account + mobilised (record)</i>	15.6% Equity / DRA <i>Down from 28% in 2018; 236% S&P risk weight</i>	48% Financial Sector <i>Share of disbursements to FIs</i>	\$0 IDA Transfers since FY2021 <i>Capped at \$100M/year; none disbursed</i>

Sources: S&P Global Ratings (May 2025); Moody's (December 2025); IFC FY26 Investor Presentation. DRA — development-related assets. WABR — weighted average borrower rating. RAC — risk-adjusted capital.

IFC's triple-A rating is real, well-founded, and deserved. This paper does not dispute it. What it disputes is the assumption that a strong credit rating and a strong development institution are the same thing. IFC is unambiguously the first. The evidence assembled here — from the rating agencies' own reports, from IEG's independent evaluations, and from a systematic comparison with IFC's peer institutions — indicates that it is no longer reliably the second.

Two groups depend on IFC, and they want different things from it. **Investors buy IFC bonds because they are safe; shareholders and IDA donors support IFC because they expect development returns.** The published credit analyses from S&P and Moody's address the first group with rigour and the second group not at all. That is appropriate for a credit rating — rating agencies are not development evaluators. But it means the documents that shape how the market and the shareholders understand IFC are silent on precisely the questions the shareholders most need answered. This paper fills that gap.

The rating is sound — and structurally unlike any other in the World Bank Group

IFC carries a 40.1% risk-adjusted capital ratio, a 1.5% non-performing loan rate, and \$44.8 billion in liquid assets. The rating is earned. But it rests on nothing but IFC's own balance sheet. **IFC has no callable capital — none, by design — so unlike IBRD's AAA, which is backstopped by \$313 billion in callable capital from 189 governments, IFC's is a pure standalone assessment.** When S&P's October 2025 methodology revision recrated callable capital and lifted IBRD's measured

capital adequacy from roughly 24% to 40%, IFC's numbers barely moved. Two consequences follow that neither agency spells out for investors: IFC's rating is more exposed to deterioration in its own performance, because there is no callable backstop to absorb losses first; and IFC is the only AAA-rated bond issuer whose underlying borrower pool is speculative-grade (Ba3 weighted average), because as a private-sector lender it receives no preferred creditor treatment. Investors who price IFC and IBRD bonds as equivalent are making an assumption the published analysis does not support.

The development record has collapsed in exactly the markets IFC's mandate prioritises

IEG's independent evaluations tell a story the credit reports omit. Across all IFC investments, 51% achieve satisfactory-or-better development outcomes. In fragile and conflict-affected states — the frontier markets IFC's mandate exists to serve, and which both rating agencies cite approvingly as evidence of IFC's expanding policy importance — the success rate has fallen to **11%, the lowest in IFC's recorded history, down from around 50% a decade ago**. IFC's share of long-term finance going to IDA countries has fallen to 9%, against a 40% commitment it made in 2018. Only a third of IFC's projects in fragile states deliver the additionality — the financing the private sector would not otherwise have provided — that is the entire justification for a development finance institution's existence. A loan that is repaid is a credit success and can still be a development failure; the two are measured differently, and IFC's financial metrics are strong precisely where its development metrics are weakest.

The financial and development stories are connected by a flow of money that runs one way. **Since FY2021, IFC has received \$9.9 billion in IDA Private Sector Window subsidies and transferred essentially nothing back to IDA** — a reversal of the decades-long practice, ended in the name of protecting the balance sheet that sustains the rating. IFC's \$2.0 billion in FY2025 net income compounds inside the institution. Neither rating agency mentions the suspension; both treat retained earnings growth as unambiguously positive.

The comparison with IFC's peers removes the usual excuse

IFC's standard defence is that its financial model — the AAA, the capital rules, the return requirements — makes deep frontier-market concentration impossible. Its peer institutions refute this. Britain's BII delivers 35-40% fragile-state concentration with no AAA and no bond-funded carry trade. The Netherlands' FMO operates at 20-25% IDA-country share with better portfolio quality than IFC. France's Proparco concentrates 45% of its book in Africa and simply accepts the cost — an AA rating instead of AAA. These institutions deliver the mandate that IFC promises but does not meet.

And they do it with fewer advantages, not more. **IFC is the most structurally subsidised development finance institution in the world:** it free-rides on the WBG's callable-capital credibility without holding callable capital itself; it offloads first-loss risk onto IDA through the \$9.9 billion Private Sector Window; it inherits investable markets that IBRD's sovereign operations have already built across 75 IDA countries; and it operates behind partial sovereign immunity. Its peers have none of this. The institution with the most support for frontier-market delivery produces the weakest frontier-market record in its peer group.

Two governance events sit behind the strongest available ratings scores

Both agencies award IFC their top governance marks. Two developments they do not mention complicate that assessment. IFC's chief risk officer sat inside the G20 process (GRaFF — the Global Risk and Finance Forum, a body of MDB chief risk officers) that shaped the very rating methodology later applied to IFC

— a process that unlocked an estimated \$600-800 billion in MDB lending capacity and raises a fair question about the independence of the criteria. And in June 2026, IFC's Board accepted management's response over the contrary findings of its own independent accountability mechanism, the CAO, in a Cambodia case — establishing that independent accountability findings can be set aside by board vote. Neither event appears in the published credit opinions that credit IFC's governance and accountability as strengths.

The case for reform does not require challenging IFC's credit rating. It requires asking whether the sovereign subsidy that rating represents — paid for by the callable capital and IDA contributions of dozens of governments — is being deployed in the markets it was created to serve. On the evidence in this paper, it is not. IFC has become an institution that is measured as a bank and defended as a development agency, while performing well as the former and poorly as the latter in exactly the places its mandate matters most. The rating is not the problem. The gap between what the rating measures and what the mandate promises is the problem — and closing it is a governance choice IFC's shareholders can make.

I. The Standalone AAA — What IFC's Rating Actually Rests On

The World Bank Group has four rated entities: IBRD (AAA/Aaa), IDA (AAA/Aaa), IFC (AAA/Aaa), and MIGA (Multilateral Investment Guarantee Agency — the World Bank Group's political risk insurance arm) (AA/Aa3). All carry the same headline rating. They do not rest on the same foundations.

IBRD's AAA is substantially backstopped by callable capital. Under S&P's October 2025 revised methodology, IBRD now receives substantial credit for \$313 billion in eligible callable capital from shareholders rated at or above IBRD's standalone credit profile. This is the single structural change that drove IBRD's RAC ratio from approximately 24% to 40%+ in October 2025 — a doubling of measured capital adequacy without a dollar of new paid-in capital. The revision was not a discovery. It was a recalibration, driven in significant part by structured engagement from the MDB community itself, including IFC's own Chief Risk Officer Federico Galizia, who sits on the Global Risk and Finance Forum (GRaFF) convened by the G20.

IFC's AAA moved barely at all in October 2025. **Because IFC has no callable capital** — none, by design, under its Articles of Agreement — the methodology change that transformed IBRD's measured capital position had essentially zero impact on IFC. S&P states the position without ambiguity in its May 2025 report: “*IFC has no callable capital, so the long-term issuer credit rating reflects our assessment of IFC's stand-alone credit profile of 'aaa'.*” Moody's arrives at the same destination through a different route — scoring IFC's contractual callable capital as 'ca' (the lowest possible), then upgrading non-contractual member willingness to 'Very High' and lifting overall member support to 'High' on qualitative grounds. The outcome is Aaa. The rationale is completely different from IBRD's.

This distinction matters for three reasons. First, it makes IFC the only WBG entity whose AAA is genuinely self-standing — resting purely on paid-in capital (\$24.0bn), retained earnings (\$16.9bn), and a balance sheet that has not defaulted in 66 years. Second, it makes IFC's rating more vulnerable to deterioration in its own financial performance, since there is no callable backstop to absorb losses before the rating is affected. Third, it reveals that IBRD's and IFC's identical headline ratings measure fundamentally different things — a structural ambiguity that neither rating agency explains to fixed-income investors who allocate between the two entities.

II. The Equity Overhang — IFC's Unique Capital Vulnerability

IFC is not only a lender. Approximately 15.6% of its development-related assets (DRAs) are held as equity investments in private companies — direct stakes, fund investments, and hybrid instruments. This is the defining structural difference between IFC's balance sheet and every other triple-A rated MDB. No other AAA-rated multilateral holds a meaningful equity portfolio. It is also, under S&P's framework, the single most capital-intensive category of asset IFC holds.

The detailed risk-weight arithmetic underlying these figures — asset categories, S&P risk weights, and estimated RWA generation — is set out in Annex B.

The equity portfolio represents 15.6% of DRAs but generates **approximately 31% of total credit risk RWA**. This is the capital cost of IFC's private sector identity. Every percentage point reduction in equity's share of the portfolio releases meaningful RWA and improves the RAC ratio. IFC has been executing this trade deliberately: equity was 28% of DRAs in 2018, 22% in 2020, and 15.6% in FY2025. The RAC ratio improvement from 38.1% (FY2023) to 40.1% (FY2024) was substantially driven by this reduction, not by capital injection alone.

The Illiquidity Problem

Equity investments are illiquid. Unlike a loan, which can be sold at par or near-par in secondary markets given IFC's credit standing, equity positions in private companies in emerging markets cannot be readily liquidated in stress conditions. This is precisely when an institution needs liquidity most. The rating agencies acknowledge the illiquidity premium embedded in the 236% risk weight but do not stress-test the scenario in which IFC needs to liquidate equity holdings rapidly during a market dislocation — a scenario that correlates with the very conditions that would cause credit losses across the loan book simultaneously.

Moody's December 2025 opinion notes this dynamic with appropriate restraint: equity investments represent the most concentrated source of earnings volatility, and the trajectory toward 15.6% of DRAs is 'credit positive.' What it does not say is that 15.6% still represents approximately \$11.9 billion of illiquid assets (as of FY2024; \$11.8 billion by FY2025) that could not be monetised quickly in a stress scenario without accepting significant discounts.

III. No Preferred Creditor Treatment — A Ba3 Borrower Pool Behind a AAA Rating

The architecture of IBRD's credit strength is built on Preferred Creditor Treatment (PCT): the longstanding practice by which sovereign borrowers — under political and economic pressure — prioritise repayment of MDB obligations over commercial debt. It is not a legal right. It is a pattern, sustained by the implicit cost of losing access to multilateral financing. That pattern has held since 1945. S&P credits it substantially in IBRD's RAC framework, reducing risk weights on sovereign exposures to a fraction of what it would charge a commercial lender to the same sovereigns.

IFC lends to the private sector. **PCT does not apply.** A private company in Nigeria does not benefit from government willingness to protect MDB access. A microfinance institution in Bangladesh does not have a government standing behind it. IFC is explicit about this in its disclosures. S&P is explicit in its report: *“As a fully specialized private-sector lender, IFC does not benefit from preferred creditor treatment (the legal convention under which governments prioritise repayment to multilateral lenders above other creditors).”* S&P does apply a partial MLI (Multilateral Lending Institution) adjustment of approximately \$8.25 billion in RWA reduction for 'preferential treatment' on financial institution and corporate exposures — reflecting the historical track record of low defaults — but this is a qualitative, backward-looking credit, not a structural legal protection.

The consequence is visible in Moody's framework. IFC's weighted average borrower rating (WABR) is Ba3 — the upper end of speculative grade (commonly called 'junk' grade, meaning below investment quality). This is the credit quality of the entities IFC is extending loans and equity to: companies, banks, and financial intermediaries in emerging markets, a significant portion of which would not qualify for investment-grade classification. Moody's calibrates its capital adequacy assessment accordingly, giving IFC's development-related asset credit quality a score of 'baa' — three notches below its headline Aaa — precisely because the underlying borrower pool is speculative-grade.

The rating agencies manage this tension by pointing to IFC's track record: NPL ratios of 1.5% as of FY2025, down from 4.8% in 2020 and 6.5% in 2016. This trajectory is genuine. But it reflects a period of improving emerging market conditions and deliberate portfolio management toward higher-quality borrowers. The track record does not eliminate the structural asymmetry: **IFC is the only AAA-rated bond issuer whose underlying asset pool carries a speculative-grade average credit quality.** Fixed-income investors who equate 'IFC AAA' with 'IBRD AAA' are comparing instruments whose credit support differs by the presence or absence of sovereign preferred creditor treatment on the entire asset base.

IV. 48 Cents in Every Dollar — The Financial Intermediary Paradox

IFC's mandate is to advance private sector development in emerging markets. Its FY2025 annual report highlights a record \$71.7 billion in total financing, with own-account commitments of \$28.3 billion and mobilised co-financing of \$43.4 billion. What neither the investor presentation nor the rating agency reports headline is where those funds go.

Forty-eight percent of IFC's disbursements flow to the financial sector — banks, insurance companies, microfinance institutions, investment funds, and other financial intermediaries. In the FY26 investor presentation, financial markets account for 36% of committed own-account financing. The remainder goes to manufacturing, infrastructure, agribusiness, health, education, and other real-sector activities. The financial sector is not only IFC's largest single exposure — it has been so every year since at least 2010. India, Brazil, and Turkey — IFC's three largest country exposures, collectively representing 28% of development-related assets — are all middle-income countries with functional domestic capital markets.

Development Through Intermediaries

The financial intermediary model has a defensible rationale: IFC provides capital to local banks at scale, and those banks on-lend to SMEs and households that IFC could not reach directly. The development leverage is real in many contexts. This is not unique to IFC — it is an inherent feature of wholesale banking models. But it creates two analytical problems that the published rating analyses do not address.

First, **traceability**. When IFC lends \$200 million to a Tier 1 bank in India and that bank on-lends to retail mortgage customers, the development impact of IFC's investment is two steps removed from IFC's underwriting decision. IFC does not — and in most cases cannot — track what its financial intermediary clients do with IFC capital at the sub-borrower level. The Environmental and Social Performance Standards apply at the FI level, not the final borrower level. This is the unresolved tension at the heart of the CAO's financial intermediary accountability programme — and it is why the CAO Cambodia case, involving IFC's financial intermediary lending, matters structurally beyond its specific facts.

Second, **additionality**. The platform's analysis of the IDA Private Sector Window — where IFC manages \$4.6 billion on IDA's behalf — found that only 33% of FCS projects demonstrated credible additionality: financing that genuinely went where commercial capital would not. The broader IFC own-account portfolio, weighted toward middle-income financial sector borrowers, faces a higher baseline question: what share of its \$28.3 billion in own-account commitments represents capital that the private sector would not have provided without IFC? The agencies' analyses do not ask this question. Both measure what IFC has committed and disbursed. Neither measures what would have happened without IFC.

V. The IDA Transfer Wall — Profits Retained

From 1956 through the early 2010s, IFC's business model included a recurring transfer of net income to IDA — the concessional window for the world's poorest countries. IFC's profitability was not only a rating strength; it was a financing mechanism for development in countries where IFC itself could not lend commercially. In FY2021, IFC transferred \$213 million to IDA. It has transferred nothing since.

This is not a violation of policy. **IDA transfers from IFC are now capped at \$100 million per year and \$300 million cumulative under the current framework.** The caps were introduced as part of IFC's capital management strategy to preserve the balance sheet strength that sustains the AAA rating. The argument is internally coherent: a weaker balance sheet would threaten the rating, which would raise

IFC's funding costs, which would reduce its operational capacity. Rating strength and development redistribution are in direct tension.

What this means in practice is that IFC's net income of \$2.0 billion in FY2025 — generated on a balance sheet that benefits from IDA-country policy environments, government relationships built over decades of WBG engagement, and the implicit reputational protection of the World Bank Group umbrella — largely stays inside IFC. It compounds retained earnings. It supports the RAC ratio. It sustains the AAA. It does not flow to the countries that need concessional financing most.

The published analyses do not discuss this issue. Both treat retained earnings growth as unambiguously credit positive. Moody's gives IFC a G-1 governance score — its highest — citing 'strong and transparent governance' and 'diverse and balanced shareholder structure.' S&P credits 'strong accountability mechanisms.' **The suspension of IDA transfers is not mentioned in either report.**

VI. Who Controls the Controllers — The GRaFF Problem

S&P's October 13, 2025 methodology update — the revision that recalibrated callable capital treatment and allowed IBRD's RAC to jump from approximately 24% to 40%+ — did not emerge from a spontaneous analytical reassessment. It emerged from a structured multi-year engagement process in which the MDBs themselves were active participants.

The Global Risk and Finance Forum (GRaFF) was established in 2022 in response to G20 recommendations on MDB capital adequacy. Its members include the Chief Financial and Risk Officers of the major MDBs: the African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, Development Bank of Latin America, EBRD, EIB, IDB, IBRD, IDA, and IFC. IFC's representative is its Chief Risk Officer, who sits alongside peers from 14 other institutions in regular dialogue with S&P, Moody's, and Fitch.

The October 2025 G20 GRaFF paper — submitted to the South Africa G20 Presidency — documents this engagement explicitly. The paper records that MDBs provided 'extensive collaboration' and 'constructive feedback' on rating criteria, with joint responses coordinated by IBRD and IDB. The stated objective was for credit methodologies to 'better capture the unique strengths' of MDBs. The October 2025 S&P methodology revision was the most consequential single output of that process: it unlocked an estimated \$600–800 billion in additional MDB lending capacity under existing AAA constraints.

The Analytical Concern

Rating agency independence requires that the entities being rated have no structural role in designing the criteria that rate them. The GRaFF process blurs this line. The MDBs argue — not without basis — that the rating agencies were applying frameworks designed for commercial banks to institutions with structurally different risk profiles, and that correction was analytically warranted. That argument has merit. **The process nevertheless raises legitimate questions about the independence of the methodology revision.** The entities with the most direct financial interest in higher RAC ratios — IFC included — were active participants in structured engagement with the agencies that set those ratios. The resulting methodology change added hundreds of billions of dollars in lending capacity without adding a dollar of paid-in capital. Whether that outcome is analytically correct or commercially convenient is a question that deserves more scrutiny than it has received.

For IFC specifically, the GRaFF process yielded less direct benefit than for IBRD — because IFC has no callable capital, the callable capital recalibration did not move IFC's numbers. But IFC's participation in the GRaFF is relevant to the governance assessment that both agencies give it: S&P credits 'strong risk management' and 'transparent' accountability; Moody's gives G-1 governance. An institution whose senior risk officer participates in a structured process to influence the methodology criteria by which that institution is rated is performing a governance function that warrants disclosure. Whether this

represents a conflict of interest or a legitimate form of analytical dialogue is a question neither agency's published report addresses.

In any other regulated context, a rated entity coordinating with peers to provide 'extensive collaboration' and 'constructive feedback' on the criteria applied to its own credit would be described as lobbying. The MDB governance architecture does not use that word — but the structural concern about methodology independence is the same.

VII. Governance Issues Not Reflected in the Published Analyses

S&P and Moody's both assign IFC their strongest governance assessments. S&P: 'IFC's governance and management score support the rating, based on its very diverse and balanced shareholder structure' and 'effective, conservative financial and risk management.' Moody's: G-1, reflecting 'high-quality and experienced management team' and 'strong risk management framework.'

Both reports were published before, or make no reference to, the most significant IFC governance event of the decade: the IFC Board's June 23, 2026 determination overriding CAO accountability findings in the Cambodia case. That determination — documented in the platform's 'When Accountability Becomes Optional' paper — establishes for the first time that IFC's Board can unilaterally override the findings of its own independent accountability mechanism. The CAO, which was established in 1999 precisely to provide independent review of IFC operations affecting project-affected people, found violations of IFC Performance Standards in Cambodia. The IFC Board reviewed the management response and accepted it, overriding the CAO's contrary determination.

Why This Is a Ratings-Relevant Governance Event

Neither S&P nor Moody's has a framework for pricing accountability mechanism override risk. Both assess governance through the lens of financial risk management — internal controls, risk appetite frameworks, audit functions, board composition. They do not assess what happens when the institution's own accountability architecture fails to constrain management behaviour.

The Cambodia override is ratings-relevant for three reasons:

- **Operational risk.** Operational risk. IFC's Performance Standards are the most widely adopted ESG framework for private sector development finance globally. If those standards are enforced at management discretion rather than independently, the liability profile of IFC's operations changes. Projects that generate CAO complaints — and there are 439 confirmed CAO complaints in the database — are potential operational risk events that neither agency is pricing correctly.
- **Reputational risk.** Reputational risk. IFC's AAA depends partly on its policy importance assessment — both agencies credit IFC's central role in development finance and its relationships with member governments and investors. An institution that overrides its own accountability mechanism faces reputational exposure with the civil society and government stakeholders whose support underpins that policy importance.
- **Precedent risk.** Precedent risk. The Cambodia determination establishes that future CAO findings can be overridden by board vote. This changes the structural architecture of IFC's accountability framework from independent review to board-managed review — a weaker governance structure than either agency currently assumes.

The *Jam v. IFC* Supreme Court decision (2019) also remains analytically relevant. The Roberts caveat in that ruling established that IFC's immunity from suit in US federal courts is not absolute — courts may exercise jurisdiction in cases involving private litigants where IFC has waived or forfeited its

immunity through conduct. Neither rating agency has assessed what contingent liability exposure this creates across IFC's project portfolio.

The scale of the institutional reaction underlines this point. Within days of the Board’s June 2026 determination, more than 60 civil society organisations from over 30 countries issued a joint statement condemning it as ‘a dangerous accountability precedent that undermines CAO’ and calling for the Board to publish the voting record of each member. That reaction — spanning organisations in Cambodia, Ghana, Nepal, Uganda, Kenya, Bolivia, Indonesia, and beyond — is precisely the kind of governance event that S&P’s G-1 score and Moody’s governance assessment are not designed to capture. It does not appear in either published credit opinion.

VIII. What the Rating Agencies Don’t Measure — IFC’s Development Performance

Both S&P and Moody’s assess IFC’s credit quality on the basis of financial risk metrics: the RAC ratio, NPL rates, liquidity ratios, funding profile, and capital adequacy. These assessments are accurate. IFC’s financial risk management is genuinely strong. The 40.1% RAC ratio, the 1.5% NPL rate, the \$44.8 billion liquidity buffer — these are real numbers representing real strength. Financial strength is sufficient for a credit rating. However, for a development institution whose privileged access to capital markets derives from its public mandate, development performance provides important context for interpreting the broader significance of that rating.

The Independent Evaluation Group publishes annual assessments of IFC’s development outcome performance through its Results and Performance of the World Bank Group (RAP) series. These assessments are independent of IFC’s own self-evaluation. They use a systematic validation methodology applied to every IFC investment project and advisory services engagement. They are the closest available equivalent, for IFC, to what the IEG ICRR database provides for IBRD and IDA lending. The published rating reports do not discuss this data.

The Headline Performance Numbers

RAP 2024 — the most recent IEG annual review, covering projects evaluated in calendar years 2021–23 — presents the following findings on IFC investment project outcomes:

IFC Investment Projects: Development Outcome	CY13–15	CY16–18	CY20–22
All IFC investment projects (Mostly Successful or better)	53%	41%	50%
IDA and blend countries	54%	n/a	36%
FCS within IDA and blend countries	50%	n/a	11%
IFC work quality (Satisfactory or better)	62%	n/a	55%
IFC front-end design work quality (S or better)	n/a	n/a	<50%

Source: Source: IEG Results and Performance of the World Bank Group 2023 (RAP 2023), Chapter 3: IFC Results and Performance. All figures use the Mostly Successful or better (MS+) benchmark — IFC’s own corporate standard, as reported by IEG. Work quality

uses the Satisfactory or better (S+) benchmark. The 11% FCS figure is drawn directly from the RAP 2023 chapter text: ‘The shares of African, FCS, and IDA and blend investment projects rated mostly successful or better for development outcome were 27 percent, 11 percent, and 36 percent’ (IEG RAP 2023, Chapter 3). Evaluation cohort: CY2020–22.

The most consequential figure is the FCS collapse. IFC’s development outcome success rate in fragile and conflict-affected states within IDA and blend countries fell from 50% in CY13–15 to **11% in CY20–22**. The source and benchmark are unambiguous.

IEG RAP 2023, Chapter 3 states: **‘The shares of African, FCS, and IDA and blend investment projects rated mostly successful or better for development outcome were 27 percent, 11 percent, and 36 percent.’** The benchmark is Mostly Successful or better (MS+) — IFC’s own corporate standard, the most permissive threshold available.

The Satisfactory or better (S+) rate — projects rated Successful or Highly Successful, the top two of six categories — would be lower still, almost certainly in single digits for this cohort. The paper uses IFC’s own corporate benchmark throughout: not an externally imposed standard, but the institution’s own measure of what counts as success. At 11% MS+, IFC’s FCS investment performance does not meet even that standard in nine cases out of ten.

This figure does not imply financial failure: the underlying loans may be repaid on time while projects still underperform on development objectives. The two metrics are measuring different things. What the figure does indicate is that the recent evaluated portfolio in these frontier markets has delivered development outcomes well below IFC’s corporate benchmark.

The significance for the rating analysis is direct. S&P’s May 2025 report states that IFC is “*expanding lending pipelines in the poorest countries and fragile areas*” — and credits this as a demonstration of IFC’s evolving mandate and policy importance. Both agencies cite IFC’s growing FCS engagement as a strategic positive. The IEG data says that in the markets IFC is now expanding into, 82% of its investment projects are not achieving their development objectives.

The Additionality Gap

RAP 2023 introduced the first systematic IEG assessment of whether IFC realised the additionality it anticipated at project approval — that is, whether IFC actually provided something the private sector would not have provided without it. The findings are central to understanding IFC’s development case:

- **FCS.** In FCS countries: IFC realized its anticipated additionality in 33% of projects
- **Africa.** In African countries: 37% of projects realized anticipated additionality
- **IDA and blend.** In IDA and blend countries: 47% realized anticipated additionality

The gap between anticipated and realised additionality was largest for non-financial additionality — knowledge transfer, environmental and social standard-setting, market creation, capacity building. These are the categories that distinguish IFC from a commercial bank and justify the development mandate. In African countries, IEG found a 27 percentage point gap between anticipated and realised knowledge and innovation additionality.

The Financial-Development Disconnect

The relationship between IFC’s financial performance metrics and its development outcome metrics reveals a structural tension at the heart of its business model. IFC’s NPL rate is 1.5% — the lowest since 2010. Its RAC ratio is 40.1%. Its net income is \$2.0 billion. These are the metrics the rating agencies measure and they are strong.

But a project that repays its loan on time is not necessarily a project that achieved its development objectives. A private equity stake that returns capital to IFC does not prove that the investment created jobs, transferred technology, or opened markets to follow-on investors. The financial metrics and the

development metrics are measuring different things. Both matter for an institution whose mandate is development and whose funding model depends on a AAA rating.

Neither S&P nor Moody’s references IEG’s RAP findings in their published IFC analyses. Both agencies credit IFC’s “policy importance” and “mandate delivery” as positive rating factors — S&P assigning IFC a score of ‘Very Important’ for policy importance, which directly supports the AAA rating. That assessment is based on IFC’s scale, mandate, and strategic positioning. It is not informed by IEG’s independent finding that 11% of IFC’s investments in FCS countries — the mandated frontier markets — are achieving their development objectives (MS+ benchmark, IEG RAP 2023, CY2020–22).

IX. IFC Among Its Peers — What the Comparative Data Shows

The October 2025 S&P methodology change allows a cleaner comparison of IFC against other AAA-rated MDBs. The table below draws on published S&P data across rating reports.

Institution	Rating	RAC Ratio	Callable Capital	PCT	Equity / DRA	Borrower Pool	AAA Type
IBRD	AAA/Aaa	~40%	\$313bn (eligible)	Full PCT	~0%	Sovereign (IG+)	Backstopped
IDA	AAA/Aaa	62.6%	Donor funded	Full PCT	~0%	Sovereign (IDA-eligible)	Donor-backed
IFC	AAA/Aaa	40.1%	Zero	No PCT	15.6%	Ba3 weighted avg	Standalone
AiIB	AAA/n.r.	59.8%	High (AAA-rated)	Full PCT	~0%	Sovereign	Backstopped
EBRD	AAA/Aaa	~38%	€6.1bn (AAA-rated)	Full PCT	~5%	Sovereign+Corp	Backstopped

The Annex to this paper provides full institutional profiles of each comparator (BII, FMO, DEG, EBRD, Proparco, DFC), the sovereign subsidy spectrum across all seven institutions, and a further observation on why the comparison is structurally uneven — IFC operates with advantages none of its comparators receive: PSW first-loss risk absorption, the IDA country pipeline, the WBG callable capital backstop, and partial sovereign immunity.

Three Observations for IFC's Shareholders and Management

Observation A — The carry trade distinguishes IFC from all peers: Every major DFI in this group carries sovereign-derived AAA or near-AAA. What distinguishes IFC is not the subsidy itself but how it is deployed. IFC uses approximately \$37 billion of AAA-funded capacity to hold US Treasuries and high-grade sovereign paper, generating \$860 million in net Treasury income in FY2024. No peer institution structures this proportion of its income around sovereign-subsidised carry. DEG, BII, Proparco, and DFC generate income primarily from their development portfolios. EBRD runs a carry

trade but offset by PCT on its sovereign loan book. IFC's carry trade is the largest and most structurally embedded in the peer group — and it competes for capital with the development investments that the mandate requires.

Observation B — BII proves the 40 percent FCS commitment is achievable: The most common institutional objection to IFC's 40 percent FCS commitment is that the financial model — AAA maintenance, capital adequacy, return requirements — makes it unachievable. BII challenges this objection directly. BII delivers 35-40 percent FCS/IDA concentration with commercially credible leadership, field-based origination, and adequate financial returns. It does so without a AAA, without a carry trade, and without a \$37 billion liquid asset buffer. The constraint on IFC's FCS delivery is not the rating. It is the business model that the institution has built around protecting the rating.

Observation C — The rating agencies cannot assess what matters most: S&P and Moody's assess financial risk with rigour and independence. They assess development governance with neither. The published IFC credit opinions do not mention the CAO override, the FCS outcome collapse, the IDA transfer suspension, or the 40 percent commitment gap. Governance scores of G-1 and S-1 reflect institutional structure and risk management frameworks — not whether the institution is accountable for development outcomes. This is a structural limitation of the credit rating system, not a failure of the rating agencies. It means that IFC can simultaneously carry the highest governance scores available from rating agencies and the lowest independently-measured FCS outcome rate in its recorded history. Both are true. Only one appears in the published credit opinions.

The case for reforming IFC does not require challenging its credit rating. It requires asking whether the sovereign subsidy that the rating represents — paid for by the callable capital and IDA contributions of 60 sovereign governments — is being deployed in the markets it was designed to serve. The peer comparison says it is not. BII, FMO, DEG, Proparco, EBRD, and DFC all deploy higher FCS shares than IFC. The institution with the strongest mandate rationale for frontier market exposure delivers the lowest frontier market share. That is the reform case in one sentence.

The Structural Subsidy Advantage — and Why the Comparison Is Not Level

The peer comparison in this annex is presented as a comparison of like institutions. It is not. IFC does not compete with BII, FMO, DEG, Proparco, and DFC on a level field. It operates inside an institutional architecture that provides structural advantages none of its comparators receive — and that make its development performance record more difficult to defend, not less.

Advantage 1 — The callable capital anchor without callable capital: S&P rates IFC AAA on a standalone basis. But the WBG membership that makes the standalone AAA credible is itself backstopped by IBRD's \$313 billion in eligible callable capital from 189 sovereign governments. IFC free-rides on the institutional credibility of the WBG system without holding any callable capital itself. None of the bilateral comparators have this. BII carries the UK sovereign directly. FMO carries the Dutch sovereign directly. DEG carries KfW directly. IFC carries the WBG system — backed by every major economy in the world — without contributing callable capital to it.

Advantage 2 — The PSW: \$9.9 billion in subsidised risk absorption: No comparator institution has a concessional window owned by the same institutional family providing it with a dedicated first-loss risk transfer facility. The IDA Private Sector Window absorbs first-loss risk on IFC's FCS transactions — the transactions that are most consistent with IFC's mandate and most inconsistent with its financial model. BII bears its FCS risk directly. FMO bears its emerging market credit risk directly. Proparco bears the NPL consequences of its Africa concentration, which is why it carries AA rather than AAA. IFC partially offloads its FCS credit risk onto IDA — and still delivers 5.2 percent FCS share. The PSW was designed to enable expansion into hard markets. The expansion has not materialised. What has materialised is a subsidised risk buffer that allows IFC to maintain its financial metrics while its mandate delivery stagnates.

Advantage 3 — The IDA country pipeline: When the World Bank builds a power sector framework in Ghana, develops a regulatory environment in Rwanda, or constructs transport infrastructure in Ethiopia, IFC inherits an investable market it did not pay to create. The bank-DFI coordination model provides IFC with prepared markets in 75 IDA-eligible countries. BII has to originate cold in every market it enters. Proparco has to build its own country knowledge in Francophone Africa. DFC deploys into geopolitically motivated markets without a pre-positioned sovereign lending partner. IFC's Creating Markets strategy is, at its core, an attempt to formalise this natural advantage into a systematic origination pipeline. The fact that IFC's IDA-country commitment share is still 9 percent — despite this structural advantage — is the most telling performance indicator in the comparison.

Advantage 4 — Sovereign immunity: The *Jam v. IFC* Supreme Court ruling established that IFC's immunity from suit in US federal courts is not absolute. But IFC still operates with a liability profile that no bilateral comparator carries. The Cambodia Board determination of June 2026 — accepting Management's response despite contrary findings by the CAO — was, in part, an exercise of this structural insulation. BII, FMO, DEG, and Proparco are subject to the legal frameworks of their home jurisdictions and the courts of their investee countries. They manage reputational and legal risk accordingly. IFC's partial immunity changes the accountability calculus in ways that affect both how it manages investments and how it responds when they go wrong.

The bilateral comparators deliver more with less. BII achieves 35-40 percent FCS concentration without a sovereign risk transfer facility, without a pre-positioned institutional partner building markets in 75 countries, without callable capital protection, and without partial immunity from legal accountability. Proparco delivers 45 percent Africa concentration while paying the full credit cost — AA rather than AAA — that IFC's structural advantages allow it to avoid. FMO maintains better portfolio quality than IFC at higher IDA country concentration, without PSW support. The peer comparison is not a comparison of equals. It is a comparison in which the institution with the most structural support — the AAA subsidy, the PSW, the IDA pipeline, the callable capital backstop, and the partial sovereign immunity — delivers the weakest mandate performance. That is the central finding the rating agencies do not discuss and this annex is designed to make visible.

X. Findings

Seven findings emerge from this analysis:

- **Finding 1.** IFC's AAA is structurally distinct from every other triple-A in the World Bank Group. It rests on standalone balance sheet strength — paid-in capital and retained earnings — with no callable capital backstop and no preferred creditor treatment. The October 2025 S&P methodology change, which substantially improved IBRD's measured capital adequacy by recrediting callable capital, had essentially zero effect on IFC's RAC ratio. Investors who treat IFC and IBRD bonds as equivalent credit instruments are making an assumption that neither agency's published analysis fully supports.
- **Finding 2.** The equity portfolio is the defining capital risk in IFC's balance sheet. At 15.6% of DRAs and charged at a 236% risk weight by S&P, equity investments generate approximately 31% of IFC's total credit risk RWA despite representing less than a sixth of the portfolio by value. The downward trend from 28% in 2018 is credit positive; the residual \$11.9 billion in illiquid equity positions (FY2024) remains the primary source of earnings volatility and capital stress risk.
- **Finding 3.** IFC is the only AAA-rated bond issuer whose underlying asset pool carries a speculative-grade average credit quality (WABR Ba3). This is a structural consequence of its private-sector mandate, not a performance failure. But it creates an asymmetry in AAA comparisons that is absent from standard investor communications. No PCT, no sovereign backstop, speculative-grade borrowers: IFC's AAA rests entirely on the cushion between its capital and its losses — a cushion that has proved adequate over 66 years but is thinner than peer institutions that carry identical ratings.
- **Finding 4.** Forty-eight percent of IFC disbursements flow to financial institutions. IFC is primarily a bank-to-bank lender whose development impact at the final beneficiary level is structurally unverifiable. The additionality question — what share of IFC's portfolio displaces commercial capital that would have arrived anyway — is unanswered in both rating agency reports and in IFC's public disclosures. The PSW evidence suggests additionality rates of approximately 33% in the most difficult contexts. In IFC's mainstream portfolio, weighted toward middle-income financial sector borrowers, the question is harder to answer and less often asked.
- **Finding 5.** IFC's development performance record is not discussed in the published rating analyses. IEG's RAP 2024 finds that 51% of IFC investment projects achieve mostly successful or better outcomes — the institutional benchmark. In FCS countries within IDA and blend markets — the frontier IFC is now expanding into, and which both agencies credit as a policy importance positive — the success rate is 11% (IEG RAP 2023, CY2020–22, Mostly Successful or better — IFC's own corporate benchmark) — down from 50% a decade earlier. This does not imply financial failure: the loans may still be repaid while projects underperform on development objectives. It does indicate that the development case for IFC's FCS expansion is not supported by its current outcome record.
- **Finding 6.** The IDA transfer channel — through which IFC profits historically financed development in the world's poorest countries — has been effectively closed. IFC's \$2.0 billion net income in FY2025 largely remains inside IFC, compounding the balance sheet that sustains the AAA. The suspension of material IDA transfers since FY2021, with a \$100 million annual cap, reflects a deliberate capital management decision. The published rating analyses do not discuss what this change means for IFC's development rationale.
- **Finding 7.** Two governance developments are absent from the published analyses despite both agencies assigning their highest available governance scores. First, IFC's senior risk management

participated in the GRaFF engagement process that produced the October 2025 S&P methodology revision — a process in which an institution’s analytical criteria were shaped with the participation of the rated entity. Second, IFC’s Board accepted Management’s response despite contrary findings by the CAO in the Cambodia case in June 2026, with the determination establishing that independent accountability findings can be set aside by board vote. The published reports credit both IFC’s risk management and its accountability mechanisms without referencing either development.

Conclusion: IFC Deserves Its AAA — and the Analysis Deserves More

The evidence reviewed in this paper does not suggest that IFC’s triple-A rating is unwarranted. On the contrary: IFC’s balance sheet is exceptionally strong. Its financial management has been consistently prudent across more than six decades. Its RAC ratio of 40.1%, its NPL rate of 1.5% — the lowest since 2010 — and its \$44.8 billion liquidity buffer represent a financial institution that has never defaulted and shows no sign of doing so. Both S&P and Moody’s are measuring what ratings are designed to measure, and the answer is unambiguous: AAA.

What this analysis demonstrates is more limited, and more precise. IFC’s AAA rests on foundations that differ materially from every other triple-A rated multilateral development bank. There is no callable capital backstop. There is no preferred creditor treatment. The weighted average borrower is speculative grade. The equity portfolio introduces a capital intensity, and an illiquidity risk, that no other AAA MDB carries at comparable scale. These are structural features of IFC’s mandate as a private sector lender, not weaknesses — but they are features that make IFC’s AAA architecturally distinct from IBRD’s, IDA’s, or AIIB’s. That distinction is absent from public market communications and underexplored in the published rating analyses.

Beyond the balance sheet, there are dimensions of IFC’s performance and governance that the published analyses do not address. FCS development outcome rate of 11% (MS+, IEG RAP 2023, CY2020–22 cohort) — the lowest in IFC’s recorded history. Additionality realized in 37% of African projects. The IDA transfer channel effectively closed since FY2021. IFC’s participation in the GRaFF engagement process that shaped the October 2025 S&P methodology revision. The Board override of CAO accountability findings in June 2026. None of these appear in the agencies’ published analyses, despite both assigning their highest available governance scores.

The conclusion is not that IFC’s rating should be lower. It is that **the published analysis should be more complete**. An institution borrowing at near-sovereign spreads on the strength of a public development mandate invites scrutiny not only of whether it can repay its bonds — it clearly can — but of whether the mandate is being fulfilled. Recognising that distinction honestly, in the same documents that affirm the AAA, would make the rating more informative without necessarily making it different.

Data Note

All IFC financial data from: S&P Global Ratings IFC Credit Report (May 2025); Moody’s IFC Credit Opinion (December 2025); IFC FY2026 Investor Presentation. Development performance data from: IEG Results and Performance of the World Bank Group 2024 (RAP 2024), published March 7, 2025; IEG RAP 2023, Chapter 3 (IFC additionality findings). Peer comparison data from: S&P AIIB Credit Report (April 6, 2026); S&P EBRD Credit Report (October 2025); S&P IDA Credit Report (March 2024). G20 GRaFF engagement documented in: Credit Rating Agency Paper on MDB Capital Adequacy, G20 GRaFF, October 2025 (published by New Development Bank). The October 2025 S&P methodology citation refers to ‘Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology,’ published October 13, 2025.

Annex A: Glossary of Key Terms

Key Terms

AAA / Aaa — The highest possible credit rating, issued by S&P (AAA) and Moody's (Aaa). Means an institution is considered virtually certain to repay its debts.

S&P / Moody's — The two credit rating agencies whose analyses of IFC are examined in this paper. S&P Global Ratings and Moody's Investors Service publish independent annual credit opinions on IFC.

RAC Ratio — Risk-Adjusted Capital ratio — S&P's measure of how much capital a financial institution holds relative to the risk it carries. A higher ratio means a stronger financial buffer. IFC's is 40.1%.

Paid-in capital — Capital that shareholders have actually contributed in cash — money already inside the institution. Distinct from callable capital (see below). IFC is funded primarily through paid-in capital and retained earnings.

Callable capital — Capital that shareholders have promised to contribute if the institution faces serious difficulty — but which sits with governments until called upon. IBRD has \$313 billion of this backstop. IFC has none, by design.

Standalone AAA — A credit rating that rests entirely on the institution's own balance sheet, without relying on external shareholder support. IFC's AAA is standalone. IBRD's is not — it is substantially backstopped by callable capital.

Equity / equity investment — A direct ownership stake in a company, as opposed to a loan. If the company fails, the equity investor loses everything. S&P charges equity a 236% risk weight because of this higher loss exposure. IFC holds equity in hundreds of private companies.

DRA — Development-Related Assets — IFC's total invested portfolio of loans, equities, and guarantees, excluding cash and treasury holdings. The base denominator in IFC's capital ratios. When the paper says '15.6% of DRAs are equity', this is the base.

RWA — Risk-Weighted Assets — total assets adjusted for their riskiness. A \$1bn equity position and a \$1bn sovereign loan are not treated as equal risks. IFC's equity portfolio is 15.6% of DRAs but generates approximately 31% of RWA because of its high risk weight.

Investment-grade / speculative-grade — Credit quality classifications. Investment-grade (BBB- and above) means a borrower is considered financially sound. Speculative-grade (BB+ and below, sometimes called 'junk') means higher default risk. IFC's average borrower is speculative-grade despite IFC itself being rated AAA.

Ba3 / WABR — Ba3 is Moody's notation for the upper end of speculative grade. WABR (Weighted Average Borrower Rating) is the average credit quality of all IFC's borrowers — currently Ba3. IFC is the only AAA-rated bond issuer in the world whose underlying borrower pool is predominantly speculative-grade.

NPL — Non-Performing Loan — a loan where the borrower has stopped making payments, typically for 90 days or more. IFC's NPL rate of 1.5% means 98.5% of its loans are being serviced. A low NPL rate signals a healthy portfolio.

Preferred Creditor Treatment (PCT) — A convention under which borrowing governments prioritise repayment of multilateral lenders above other creditors. IBRD benefits from this. IFC does not — it lends to private companies, not governments, and private companies have no government standing behind their debts.

Carry trade — Borrowing cheaply (using a AAA rating to issue bonds at low rates) and investing the proceeds in higher-yielding but safe assets such as US Treasuries. IFC holds ~\$37bn in such liquid assets, earning ~\$860m annually — income with no direct development impact.

Financial intermediary — A bank, microfinance institution, or investment fund that receives IFC financing and on-lends to businesses or households. 48% of IFC's disbursements flow through financial intermediaries. Development impact at the final beneficiary is two steps removed from IFC's underwriting decision.

Additionality — The principle that a DFI should only finance what private markets would not finance on their own. If a project would have happened without IFC, there is no additionality — and no development justification for the subsidy. IEG found additionality realised in only 33% of IFC's FCS projects.

Concessional financing — Loans or grants at below-market rates, typically for the world's poorest countries. IDA provides concessional financing. IFC does not — its loans are priced commercially. This is the key difference between IDA and IFC lending.

FCS / IDA countries — Fragile and Conflict-affected States (FCS) are countries experiencing or recovering from conflict or institutional breakdown. IDA countries are the world's poorest nations eligible for World Bank concessional lending. IFC's mandate is to serve both; its actual FCS share is 5.2%.

PSW — IDA Private Sector Window — a \$9.9bn facility funded by IDA donors that absorbs the first loss on IFC's investments in the hardest markets. When those investments fail, IDA's money goes first. IFC designed and manages the PSW but IDA bears the first-loss risk.

Performance Standards — IFC's eight mandatory environmental and social requirements covering labour rights, land acquisition, biodiversity, indigenous peoples, and community health. Every IFC-financed project must meet them. They are the most widely adopted ESG framework for private-sector development finance globally.

ESG — Environmental, Social, and Governance — the three categories of non-financial risk assessed in responsible investment. IFC's Performance Standards are the leading private-sector ESG framework. The CAO investigates complaints that IFC's ESG standards have been violated in specific projects.

MS+ / S+ — The two benchmarks for measuring development outcomes. MS+ (Mostly Successful or better) is IFC's own corporate standard. S+ (Satisfactory or better) is stricter — and is the headline benchmark used throughout this paper. The 11% FCS figure used throughout this paper is MS+ (Mostly Successful or better), IEG RAP 2023, CY2020–22 — IFC's own corporate benchmark, not an externally imposed stricter standard. The S+ threshold (top 2 of 6 categories) would produce a lower figure still. A later cohort (CY2021–23, RAP 2024) shows FCS MS+ at 18% — a different evaluation year, the same benchmark.

RAP — Results and Performance of the World Bank Group — IEG's annual independent evaluation of IFC's development outcome performance. The primary data source for this paper's development performance analysis. RAP 2024 covers projects evaluated in calendar years 2021–23.

IEG — Independent Evaluation Group — the World Bank Group's independent evaluation unit. IEG reports to the Board, not to IFC management. Its development outcome assessments are the most rigorous independent measure of IFC's effectiveness available.

CAO — Compliance Advisor Ombudsman — IFC's independent accountability mechanism, established in 1999 to investigate complaints from communities affected by IFC-financed projects. In June 2026, the IFC Board accepted management's response despite contrary CAO findings in a Cambodia case; the CAO Director General resigned.

GRaFF — Global Risk and Finance Forum — a G20-convened body of MDB chief risk and finance officers. IFC's Chief Risk Officer sits on it alongside peers from 14 other institutions. The October 2025 S&P methodology revision that recredited callable capital emerged significantly from the GRaFF engagement process.

S+ = Satisfactory or Highly Satisfactory (IEG benchmark). The performance data cited on the IDA PSW (33% additionality in FCS projects) is from the platform's Rethinking the IDA Private Sector Window paper. CAO complaints database figure (439) is from the Accountability Console dataset as of June 2026. The Cambodia case referenced is documented in the platform's 'When Accountability Becomes Optional' paper, grounded in the IFC Board's June 23, 2026 determination.

Annex B: The Equity Risk-Weight Arithmetic

The table below sets out how S&P's Risk-Adjusted Capital framework translates IFC's asset categories into risk-weighted assets (RWA). The equity overhang argument in Section II rests on these figures: despite representing 15.6% of development-related assets, equity generates approximately 31% of total credit-risk RWA because of its 236% risk weight. All figures are approximate, drawn from S&P's published IFC credit report (May 2025).

The Risk Weight Arithmetic

S&P's Risk-Adjusted Capital framework charges equity at a risk weight of 236% — more than double the charge applied to a speculative-grade corporate loan, and more than four times the charge applied to a sovereign loan to an investment-grade country. The implication in IFC's FY2024 numbers is striking:

Asset Category	Balance (\$bn)	S&P Risk Weight	RWA Generated (\$bn)
Sovereign & quasi-sovereign loans	6.9	~25–75%	~3.5
Corporate & FI loans (non-equity)	41.1	~75–200%	~43.8
Equity investments	11.9	236%	28.2
Guarantees & other	n/a	varied	~14.3
Total credit risk RWA (before adj)	—	—	~89.8

Source: S&P Global Ratings IFC Credit Report (May 2025). RWA figures approximate; equity detail from published S&P RAC data. Corporate/FI allocation uses portfolio-weighted average based on BICRA scores (Banking Industry Country Risk Assessment — a measure of a country's banking sector risk).

Annex C: The Peer Institutions —

IFC operates in a peer group of bilateral and multilateral development finance institutions that most World Bank Group staff know by name but few know in depth. This annex provides institutional profiles of each major peer, drawing on their published credit opinions, annual reports, and independent evaluations. The purpose is comparative: to establish what choices IFC has made, what choices its peers have made differently, and what the evidence says about the consequences. The annex closes with the master rating comparison table and three observations that bear directly on the reform agenda.

Profile 1: BII — British International Investment (formerly CDC Group)

Attribute	Detail
Legal form	UK government-owned DFI; 100% FCDO ownership; established 1948 as Colonial Development Corporation
Total portfolio (FY2023)	~GBP 7.5bn committed portfolio; ~GBP 1.8bn new commitments in FY2023
Geographic mandate	Africa (primary) and South/Southeast Asia; explicitly targets IDA-eligible and FCS markets
FCS/IDA share	35-40% of annual commitments in IDA-eligible or FCS countries — the highest of any major DFI
Credit rating	Not rated; no public bond issuance; funded by FCDO equity and retained earnings
Funding model	No carry trade; no liquid asset buffer; income entirely from development portfolio returns
Current leadership	Nick O'Donohoe — JPMorgan (Head of Research), Goldman Sachs (Managing Director), Big Society Capital (CEO)
Development outcome framework	Development Impact Score (DIS); proprietary; FY2023: 73/100 across portfolio
Independent evaluation	ICAI (Independent Commission for Aid Impact) periodic reviews; not annual
Net return on portfolio	~4-6% average FY2020-2024; lower than IFC but on materially harder portfolio
IDA transfer equivalent	N/A — BII is itself a DFI; no equivalent IDA relationship

Sources: BII Annual Report 2023; BII Impact Report 2023; ICAI Review of CDC Group 2020; public LinkedIn profiles for leadership.

Why BII Matters for the IFC Reform Argument

BII is the single most important comparator institution for understanding IFC's choices, because it is the existence proof that refutes IFC's core institutional defence. IFC's consistent argument for why it cannot deliver 40 percent FCS share is that the financial model — AAA maintenance, capital adequacy, return requirements — makes systematic FCS concentration incompatible with the institution's credit standing. BII challenges this argument directly. BII delivers 35-40 percent FCS concentration without a AAA rating, without a carry trade, without a \$37 billion liquid asset buffer, and with adequate financial returns. It does this by eliminating the financial model features that constrain IFC's mandate delivery.

The leadership comparison: Nick O'Donohoe spent 20+ years in investment banking at JPMorgan and Goldman Sachs before leading BII. He understands from direct experience what originating a transaction in a difficult market requires — the due diligence, the structuring, the supervision, the exit. He runs a 35-40 percent FCS portfolio from an institution with field-based investment officers in Nairobi, Lagos, Accra, Colombo, and Mumbai. IFC, with 147 staff in FCS locations out of 3,800 total, delivers 5.2 percent FCS share from Washington.

The funding model comparison: BII does not issue bonds. It has no AAA to protect and runs no carry trade on sovereign paper. These are structural choices that liberate BII from the capital allocation constraints that bind IFC. Strip out IFC's carry trade and its income profile looks very different. BII stripped it out by design.

BII is not a smaller version of IFC. It is a fundamentally different institutional model: field-based origination, no carry trade, FCS-concentrated mandate, commercially credible leadership. It delivers what IFC's 40 percent commitment promises but does not deliver. The institutional argument that the two models are incompatible is the argument that needs to change.

Profile 2: FMO — Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden

Attribute	Detail
Legal form	Dutch development bank; 51% owned by Dutch State, 49% by commercial banks and trade unions; est. 1970
Total portfolio (FY2023)	~EUR 12bn total portfolio; EUR 2.1bn new commitments in FY2023
Geographic mandate	Emerging markets globally; Africa ~22% of portfolio; IDA-eligible share ~20-25%
FCS/IDA share	~20-25% — materially higher than IFC at 5.2%; concentrated in financial institutions and agribusiness
Credit rating	AAA (S&P) / Aaa (Moody's) — Dutch sovereign guarantee (51% ownership)
Standalone quality	~A range (Ba1-Ba2 WABR) — one to two notches BETTER than IFC's Ba3
Funding model	Issues EUR-denominated bonds at AAA rates; carry trade but at smaller scale than IFC
Current leadership	Linda Broekhuizen (CEO since 2021) — FMO career; structured finance background
Development outcome framework	Development Effectiveness Rating (DER); ex-ante assessment at commitment; FY2023: 82% rated positive
Financial performance	Net income EUR 180m+ in FY2023; ROE ~5.8%; loss in FY2020 (COVID provisions)
Key structural difference from IFC	Publishes separate development effectiveness rating independent of financial metrics

Sources: FMO Annual Report 2023; Moody's FMO Credit Opinion (2024); S&P FMO Credit Opinion (2024); FMO Impact Report 2023.

Why FMO Matters for the IFC Reform Argument

FMO is IFC's closest structural twin — same AAA mechanism (sovereign backing, not portfolio quality), same bond-funded model, same emerging market private sector mandate — but with materially better development outcomes and better standalone portfolio quality. This juxtaposition is the most analytically important single comparison in the peer group.

The portfolio quality paradox: FMO's portfolio carries a Moody's weighted average borrower rating of approximately Ba1-Ba2. IFC's is Ba3. FMO's portfolio is one to two notches better quality despite being more concentrated in harder markets at 20-25 percent IDA share versus IFC's 5.2 percent. FMO achieves better portfolio quality through tighter underwriting discipline and more selective market entry — not by avoiding difficult markets. This directly refutes the IFC argument that FCS concentration requires accepting lower portfolio quality.

The development effectiveness disclosure: FMO publishes an annual Development Effectiveness Rating that is formally separate from its financial performance reporting. The DER is ex-ante — it measures expected impact at commitment, not realised impact at closing — which is a limitation. But the structural separation of financial and development metrics is a governance feature that IFC does not replicate. IFC's AIMM framework (Anticipated Impact Measurement and Monitoring — IFC's system for estimating expected development impact) is also ex-ante; what is different is that FMO presents the two systems as parallel and equal, not as one subordinate to the other.

FMO's FY2023 DER of 82 percent positive outcomes is self-assessed and ex-ante. The IEG finding that 51 percent of IFC investments achieve mostly successful or better outcomes is independently assessed and ex-post. These figures are not directly comparable — FMO's would likely be lower under IEG methodology. The point is not that FMO outperforms IFC on development outcomes. It is that FMO discloses more, discloses separately, and operates at materially higher IDA country concentration on the same AAA funding advantage.

Profile 3: DEG — Deutsche Investitions- und Entwicklungsgesellschaft

Attribute	Detail
Legal form	German DFI; 100% KfW subsidiary; KfW 100% Federal Republic of Germany; established 1962
Total portfolio (FY2023)	~EUR 9.5bn committed portfolio; EUR 1.8bn new commitments in FY2023
Geographic mandate	Emerging markets globally; Africa ~25-28%; Asia ~30%; Latin America ~25%
FCS/IDA share	~15-18% — below FMO and BII; above IFC; concentrated in lower-middle-income markets
Credit rating	AAA (Moody's via KfW guarantee); NEVER independently rated as a standalone entity
Standalone quality	Unknown — no agency has ever assessed DEG on its own balance sheet
Funding model	No public bond issuance; funded via KfW; does not participate in bond markets directly
Current leadership	Monika Beck (CEO since 2019) — commercial banking and structured finance background
Development outcome framework	GPR (Geschaeftspolitisches Projektrating); annual self-assessment; FY2023: ~68% rated good/very good
Financial performance	Net income approximately EUR 150-200m in normal years; small loss FY2020

Key structural feature **Most opaque major DFI — no bond issuance, no SEC filings, no independent credit rating**

Sources: DEG Annual Report 2023; KfW Group Annual Report 2023; Moody's KfW Credit Opinion (2024).

Why DEG Matters for the IFC Reform Argument

DEG represents the least scrutinised major DFI in the world. It carries Aaa — because KfW guarantees its obligations, and Germany guarantees KfW — without ever having been independently rated on its own balance sheet. Its portfolio quality, NPL rates, capital adequacy, and development outcomes are disclosed only through self-assessed annual reports with no independent credit validation and no bond market disclosure requirement.

The opacity argument: IFC is extensively scrutinised — S&P and Moody's credit opinions, SEC annual filings, IEG independent evaluation, CAO accountability mechanism, Board-level reporting. DEG operates with significantly less external scrutiny. This observation is about the accountability architecture rather than DEG's institutional quality: the sector's disclosure burden does not align with the scale of sovereign subsidy each institution receives.

The sovereign subsidy at its most complete: DEG's Aaa is a 100 percent pass-through from the German sovereign. There is no IFC-equivalent standalone financial strength at DEG — it has simply never been tested. Every euro DEG borrows at Aaa rates is borrowed on Germany's credit, not DEG's. If KfW withdrew its guarantee, DEG would have no independent rating at all. This is the purest form of sovereign DFI subsidy in the peer group — and it receives correspondingly little analytical scrutiny because DEG does not issue public bonds.

Profile 4: EBRD — European Bank for Reconstruction and Development

Attribute	Detail
Legal form	International financial institution; 73 member countries; established 1991 post-Soviet transition mandate
Total portfolio (FY2024)	~EUR 70bn total assets; EUR 10bn+ annual business volume; largest MDB in Europe
Geographic mandate	Europe, Central Asia, southern/eastern Mediterranean; does NOT operate in SSA or South Asia
FCS exposure	Low by mandate — primarily conflict-affected countries in its region (Ukraine, Georgia, Moldova)
Credit rating	AAA (S&P) / Aaa (Moody's) — the CLEANEST AAA in the DFI peer group
Standalone quality	~AA standalone — EBRD is the only DFI whose AAA is partially self-sustaining via PCT
Preferred creditor treatment	YES on sovereign book (~85% of portfolio); the structural feature IFC lacks entirely
Funding model	Issues EUR/USD bonds; large carry trade; but PCT on sovereign book reduces actual credit risk
Current leadership	Odile Renaud-Basso (President since 2020) — French Treasury; Crédit Agricole board experience

Development outcome framework	Transition Impact (TIMS); IPEX (EBRD's independent evaluation unit) independent evaluation; narrowest self-vs-independent gap in MDB sector
Financial performance	Net income ~EUR 4.1bn FY2023 — second only to IFC among DFIs; high rates environment benefit
Key structural advantage over IFC	PCT on sovereign book; partially standalone-justifiable AAA; tightest evaluation gap

Sources: EBRD Annual Report 2024; S&P EBRD Credit Opinion (2024); Moody's EBRD Credit Opinion (2024); EBRD IPEX evaluation reports.

Why EBRD Matters for the IFC Reform Argument

EBRD represents the benchmark for MDB governance quality in the peer group — not because its development outcomes are independently verified as superior (its mandate is transition impact, not development outcomes in the IDA sense) but because its institutional architecture exhibits two features that IFC lacks: preferred creditor treatment on its sovereign book, and an independent evaluation unit whose gap between self-assessment and independent assessment is the narrowest in the sector.

The PCT distinction: EBRD lends approximately 85 percent of its portfolio to sovereign or quasi-sovereign borrowers and benefits from preferred creditor treatment — meaning member governments legally prioritise EBRD repayment. This is the structural protection that IFC, as a purely private-sector lender, cannot access. S&P estimates that EBRD's standalone credit quality would be approximately AA even without shareholder support — the only institution in this peer group that could plausibly defend a near-AAA on partially standalone merits. IFC's standalone quality, absent WBG membership, would be in the BBB-A range based on Ba3 portfolio quality and its capital structure.

The evaluation architecture: EBRD's independent Project Evaluation department (IPEX) produces evaluations that show the narrowest gap between management self-assessment and independent evaluation in the MDB sector — approximately 8-12 percentage points. Institutions subject to rigorous independent evaluation tend to produce more conservative self-assessments. IFC's IEG provides the same discipline.

The mandate comparison also matters: EBRD operates entirely in middle-income European and Central Asian markets. It does not operate in Sub-Saharan Africa or South Asia. The FCS exposure comparison with IFC is not meaningful. What is meaningful is the governance architecture comparison: EBRD at AAA with partial standalone justification, tight evaluation discipline, and PCT on its sovereign book is the institutional design that a reformed IFC should aspire toward.

Profile 5: Proparco — Société de Promotion et de Participation pour la Coopération Economique

Attribute	Detail
Legal form	French DFI; subsidiary of Agence Française de Développement (AFD); est. 1977
Total portfolio (FY2023)	~EUR 5.5bn portfolio; EUR 2.0bn new commitments in FY2023

Geographic mandate	Africa (~45% of portfolio), Asia (~25%), Latin America (~20%), Middle East (~10%)
FCS/IDA share	~20-25% — materially above IFC; Francophone Africa concentration includes several FCS markets
Credit rating	AA (S&P) — only institution in peer group rated below AAA on its own merits
Rating gap from IFC	Two notches below IFC's AAA — the quantified credit cost of delivering the mandate
Funding model	Issues bonds at AA rates; no large carry trade; income primarily from development portfolio
Current leadership	Grégory Clément (CEO since 2020) — AFD career
Development outcome framework	MIPA (Mesure d'Impact des Projets Appuyés); annual self-assessment; ~70% positive FY2023
Financial performance	Net income ~EUR 140m FY2023; small loss FY2020; lower and more volatile than IFC
Africa portfolio	~45% — highest Africa concentration of any European bilateral DFI; SSA is primary market
NPL profile	Higher than IFC — consequence of harder market concentration; explicitly accepted as mandate cost

Sources: Proparco Annual Report 2023; S&P Proparco Credit Opinion (2024); AFD Group Annual Report 2023.

Why Proparco Matters for the IFC Reform Argument

Proparco is the only institution in the peer group that pays a visible, quantified credit cost for delivering its development mandate. S&P rates it AA — two notches below IFC's AAA. That gap is the most instructive single data point in the peer comparison for the IFC reform argument.

Proparco's AA is the credit rating of an institution that is actually delivering its mandate — 45 percent Africa concentration, higher NPLs, lower income, harder markets. IFC's AAA is the credit rating of an institution that has optimised for financial performance. The two-notch gap between them is not a failure of Proparco's financial management. It is the quantified cost of the development mandate in credit rating terms. The two-notch gap is a credit rating expression of the difference between an institution that concentrates in hard markets and one that does not.

For WBG staff, the Proparco comparison has a specific operational implication: the argument that IFC cannot increase its Africa/FCS concentration without threatening its AAA is not hypothetical. Proparco tried it and got AA instead of AAA. That is a real cost — higher borrowing costs, reduced carry trade income, smaller balance sheet relative to mandate size. The question is not whether the cost is real. It is whether the shareholders are willing to pay it, and whether IFC's mandate actually requires AAA or could be delivered at AA. BII's answer is that the carry trade can be eliminated entirely — no rating required.

Profile 6: DFC — US International Development Finance Corporation

Attribute	Detail
Legal form	US government agency; successor to OPIC; established 2018 under BUILD Act; USAID parent
Total portfolio (FY2023)	~USD 46bn portfolio; USD 9.3bn new commitments in FY2023 — growing rapidly

Geographic mandate	Global; prioritises lower-income countries, Indo-Pacific, and countries at risk of Chinese BRI dependency
FCS/IDA share	~30-35% and rising — driven by geopolitical mandate to compete with Chinese infrastructure finance
Credit rating	Implicitly AA+ / Aaa — US government agency; full faith and credit of the United States
Funding model	US government appropriations and loan guarantees; does not issue bonds; no carry trade
Current leadership	Scott Nathan (CEO) — private equity and venture capital background; authentic commercial credentials
Development outcome framework	Development Outcomes Tracking (DOT); launched 2022; still maturing; ~78% positive ex-ante FY2023
Financial performance	Small net positive operating position FY2023; US government credit subsidy model; not commercial P&L
Key geopolitical driver	Explicit China competition mandate — DFC is part of US response to BRI; FCS share driven by strategic, not purely developmental, logic
Comparison with IFC	Faster-growing portfolio; higher FCS share; US government mandate; no development institution governance constraints

Sources: DFC Annual Report 2023; DFC Congressional Budget Justification FY2024; US BUILD Act (Public Law 115-254); public records for DFC leadership.

Why DFC Matters for the IFC Reform Argument

DFC is the newest and fastest-growing institution in the peer group. Its relevance for the IFC reform argument is different from the European bilaterals: DFC represents what happens when a major shareholder government decides that the existing multilateral DFI architecture is not delivering what geopolitics requires, and creates a parallel institution to fill the gap.

The geopolitical signal: The US government — IFC's largest shareholder — concluded in 2018 that OPIC was insufficient and created DFC with expanded mandate, expanded capital, and a leadership team with genuine private sector credentials. Scott Nathan's private equity background is not incidental to DFC's mandate; it is the institutional design choice. The US government, when it decided to build a development finance institution for the 21st century, chose a PE professional to lead it. It did not choose a former World Bank regional VP.

The accountability gap: DFC's Development Outcomes Tracking framework was launched in 2022 and has no independent evaluation track record. Its 78 percent positive outcomes figure is ex-ante and self-assessed. The absence of an IEG-equivalent independent evaluator means DFC's effectiveness claims remain unverified as it scales.

For WBG staff, DFC's rapid growth and rising FCS share should be read as a competitive signal. The US government is building parallel development finance capacity outside the WBG architecture precisely because the WBG architecture is not delivering what it needs in the markets that matter most geopolitically. IFC's 5.2 percent FCS share is, in part, why DFC exists.

The Master Comparison — All Institutions

Institution	Rating	Rating Basis	Est. Standalone	FCS/ID A Share	Development Outcome	Carry Trade	Leadership Background
IFC	AAA/Aaa	WBG membership; no callable capital	~BBB-A (Ba3)	5.2% avg	11% FCS (IEG, CY20-22)	Yes - \$37bn	World Bank/IMF - no private sector investment exp.
BII	Not rated	UK sovereign equity (FCDO)	UK Aa3	35-40%	~65-70% (self-assessed)	No	JPMorgan / Goldman Sachs - substantial PE/IB
FMO	AAA/Aaa	Dutch sovereign (51%)	~A (Ba1-2)	20-25%	82% ex-ante (self-assessed)	Yes - smaller	FMO career; structured finance
DEG	AAA/Aaa	KfW/German sovereign passthrough	Never rated	15-18%	~68% (self-assessed GPR)	No	Commercial banking
EBRD	AAA/Aaa	Shareholder support + PCT	~AA (PCT)	Low (mandate)	~68% TIMS (semi-indep.)	Yes - large	French Treasury / Crédit Agricole
Proparco	AA	AFD/French sovereign	~BBB+	20-25%	~70% (self-assessed)	No	AFD career
DFC	Impl. AA+	US government agency	Govt agency	30-35%	~78% ex-ante (immature)	No	Private equity / VC

Sources: Rating agency credit opinions (2024-2025); institutional annual reports 2023-2024; IEG RAP 2024 for IFC figure. All peer outcome figures are self-assessed and ex-ante except where noted. IFC figure is independently assessed by IEG and ex-post — not directly comparable but the gap is instructive. Leadership backgrounds from public records as of July 2026.

The table below translates the structural advantages identified in the preceding analysis into an approximate funding benefit. Each institution in this peer group carries a published credit rating that exceeds its independently estimated standalone quality. The gap between the two — measured in rating notches — is the sovereign subsidy: the borrowing cost advantage that flows from the institution’s legal, ownership, or political relationship with one or more sovereign governments. The annual benefit shown is illustrative, derived from applying the estimated funding cost differential to each institution’s outstanding bond issuance or equivalent funding base. It is intended to establish order of magnitude, not precision.

The Sovereign Subsidy Spectrum

Institution	Published Rating	Est. Standalone	Uplift (notches)	Subsidy Mechanism	Annual Benefit (est.)
EBRD	AAA / Aaa	~AA	1-2	PCT on sovereign book; shareholder support	~\$200-400m
FMO	AAA / Aaa	~A	3-4	Dutch sovereign guarantee (51%)	~\$150-300m
IFC	AAA / Aaa	~BBB-A	3-5	WBG membership; IBRD callable capital anchor	~\$300-750m on \$50bn book
DEG	AAA / Aaa	Never rated	Unknown	KfW/German sovereign pass-through — entire rating	Entire funding advantage
Proparco	AA	~BBB+	2-3	AFD/French sovereign	~\$50-100m
BII	Not rated	UK Aa3 backing	N/A	No bonds; UK sovereign equity	Not applicable
DFC	Implicitly AA+	Govt agency	N/A	US full faith and credit; appropriations	Not applicable

Annual funding benefit illustrative. IFC range illustrative, based on estimated borrowing cost differential between AAA and the BBB-A standalone range, applied to approximately \$50bn in outstanding bonds. BII and DFC do not issue public bonds and have no carry trade income.

The table establishes a point the main note makes analytically: IFC's sovereign subsidy — estimated at \$300–750 million annually — is among the largest absolute funding advantages in this peer group, and its subsidy mechanism (WBG membership backstopped by \$313 billion in callable capital from 189 governments) is the most structurally embedded of any institution that does not itself hold callable capital. Proparco, which carries a smaller sovereign backstop, delivers 45% Africa concentration and pays AA rather than AAA for doing so. IFC, with the larger backstop, delivers 5.2% FCS share. The subsidy spectrum is not an academic observation. It is the quantified foundation of the reform case.