# Inside the Portfolio of the International Finance Corporation: Does IFC Do Enough in Low-Income Countries?

**Charles Kenny, Jared Kalow, and Vijaya Ramachandran**

## Abstract

Between 2001 and 2016, the International Finance Corporation (IFC) committed $127 billion through 3,343 projects across the developing world. During this period, the bulk of IFC's portfolio has moved lower middle-income countries to upper middle-income countries. Between 2001 and 2004, IFC's portfolio was dominated by lower-middle income countries. Between 2013 and 2016, Turkey, China, and Brazil received $3.8, $2.9, and $3.0 billion in investments respectively, making them some of the largest recipients of IFC investment. The portfolio shift from lower-middle to upper-middle income countries is in significant part due to recipient countries graduating out of lower-middle income status.

Our analysis shows that **IFC's portfolio is not focused where it could make the most difference**. Low income countries are where IFC has the scale to make a considerable difference to development outcomes. These are the countries with the greatest need for investment and (implicit) guarantee mechanisms for private investment. And these are the countries receiving the bulk of advisory services support. While an excessive portfolio shift might imperil IFC's credit rating, the evidence suggests that there is considerable scope for increasing commitments to low income countries without significant impact to IFC's credit scores.

We are grateful to Paddy Carter, Neil Gregory, Todd Moss and IFC staff for comments and suggestions. Neil Gregory kindly provided us with data on IFC commitments for 2017.

Charles Kenny, Jared Kalow, and Vijaya Ramachandran. 2018. "Inside the Portfolio of the International Finance Corporation: Does IFC Do Enough in Low-Income Countries?" CGD Policy Paper. Washington, DC: Center for Global Development. https://www.cgdev.org/publication/inside-portfolio-international-finance-corporation-does-ifc-do-enough-low-income

CGD is grateful for contributions from the Bill & Melinda Gates Foundation, Ford Foundation, and Omidyar Network in support of this work.

Center for Global Development
2055 L Street NW
Fifth Floor
Washington DC 20036
202-416-4000
**www.cgdev.org**



Center for Global Development
www.cgdev.org

CGD Policy Paper 115
January 2018

## Contents

# 1. Introduction

The International Finance Corporation (IFC) is the private sector lending arm of the World Bank Group. It is the largest global development institution focused exclusively on the private sector in developing countries, using debt, equity, guarantees and advisory services to support private investment across a range of sectors. Between 2001 and 2016, the IFC committed $127 billion through 3,343 projects across the developing world.

Private sector flows are at the center of the "Billions to Trillions" agenda, the multilateral development banks' effort to increase resource flows to finance the Sustainable Development Goals,[1] and the IFC is an integral component of that agenda. As a development finance institution (DFI), IFC's aims is to catalyze investments in projects and countries investors consider too risky to invest in alone. IFC does this through a range of instruments—loaning to private investors, guaranteeing loans, taking an equity stake in an investment, and offering advisory services. Thus DFIs are able to open up new markets to private investors. DFI investments can have positive externalities, like a demonstration effect of new products or technologies. This paper performs a preliminary analysis of IFC's portfolio in order to assess how and where IFC is investing its resources.

While the IFC has made steps towards transparency in recent years, its disclosure portal and data does not allow for straightforward export, aggregation and analysis of trends. This paper describes a dataset compiled from the IFC disclosure portal and performs some preliminary analysis around levels, trends, and sectoral and country allocation.

[1] Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (World Bank and International Monetary Fund, 2015).

## 2. Data and Methodology

The data contained in this report consists entirely of publicly available information on IFC projects. Under IFC's 2012 Access to Information Policy, IFC is responsible for making available project-level data on direct investments and advisory services projects.[2] For direct investments, IFC makes available Summary of Investment Information (SII) and Environmental and Social Information for each project prior to approval. After approval, IFC updates project information and environmental and social information, and the institution also makes available development results information. For projects approved before 2012, IFC releases a Summary of Proposed Information (SPI) which contains similar information to the SII, following the 2006 Policy on Disclosure of Information. For advisory service projects, IFC provides a Summary of Advisory Services Project Information (APSI) as well as Environmental and Social Information and development results information. IFC does not provide commercially sensitive, confidential, or personal information.

For convenience, we label aggregate commitments as a portfolio, although this is a somewhat loose definition. A portfolio, more strictly defined, is made up of a stock of outstanding loans and equity; our measure is of several years of summed pre-obligated future loan and equity investments.

### 2.1 Data Sources

To analyze this information, we built an IFC portfolio database (similar to the OPIC Scraped Database),[3] containing all publicly available project-level data with supplemental data from external sources. We exported all SII, SPI, and APSI documents between 2001 and 2016 in comma-separated-value format from IFC's Disclosure Portal in June 2017. Using these exports, we assembled a database of IFC investment and advisory services projects, supplemented by country-level data from external sources.

**Investment project-level data:** Investment project data is drawn from SII and SPI documents and is available between 2001 and 2016. The SII and SPI typically include data on project name, project status, project country, company, environmental status, a project description, intended impact, reported results, IFC commitment by instrument, approval date, and sector. We only include projects listed active or completed, excluding projects on hold or pending approval. In total, the database includes 4,112 projects between 2001 and 2016.

**Advisory services project-level data:** IFC Advisory Services project data is only available on IFC's Disclosure Portal from 2009 onward. We supplemented the data on Advisory Services projects with data from the World Bank's database of Advisory Services Projects, which includes additional data on business line and budget for IFC projects. We used the

---

[2] IFC (IFC, 2012); IFC (IFC, 2006).
[3] Benjamin Leo (Center for Global Development, 2016).

project numbers to match projects between the World Bank's database and the IFC portfolio database.

**Supplementary country-level data:** We supplemented project-level data with country-level data on World Bank income category, World Bank lending category, fragility, GDP, and domestic credit depth.

- World Bank income category and lending categories are sourced from the World Bank. Projects are classified based on the following fiscal year's income and lending category. In other words, IFC's 2016 commitments are classified according to the FY2017 income category.[4]

- World Bank lending category classifications are sourced from the World Bank, which provides a list of economies and their current lending category.

- Domestic credit depth and GDP data are sourced from the World Bank.[5]

- Fragility classifications are sourced from the Fund for Peace's Fragile States Index.[6]

## 2.2 Notes on Methodology

**Incomplete data:** Full data is not consistently available for all projects, especially regarding results. There is project-level data for most investments on amount and type of financing, sector, and location. However, reported results data appears to only be available for seven out of the 262 disclosed projects in 2015, 17 out of the 298 disclosed projects in 2014, and 16 out of the 284 disclosed projects in 2013. This severely limits our ability to conduct analysis in some areas, particularly around development impact, leverage, and co-financing with other DFIs.

**Disclosure delay:** Some active projects may not yet be disclosed. 97 percent are disclosed before IFC board approval, but the remaining 3 percent are disclosed after approval for various reasons. The median advance disclosure for projects disclosed ahead of IFC board approval is 33 days, and the median delay for project disclosed before IFC board approval is 53 days. The longest delay for a project in our database involved is 1,407 days for a 2001 loan to build a university in Vietnam. This means that there may be some projects approved but not disclosed during as of June 2017.

**Inflation:** Project amounts are adjusted for inflation based on the US Consumer Price Index to 2016.[7]

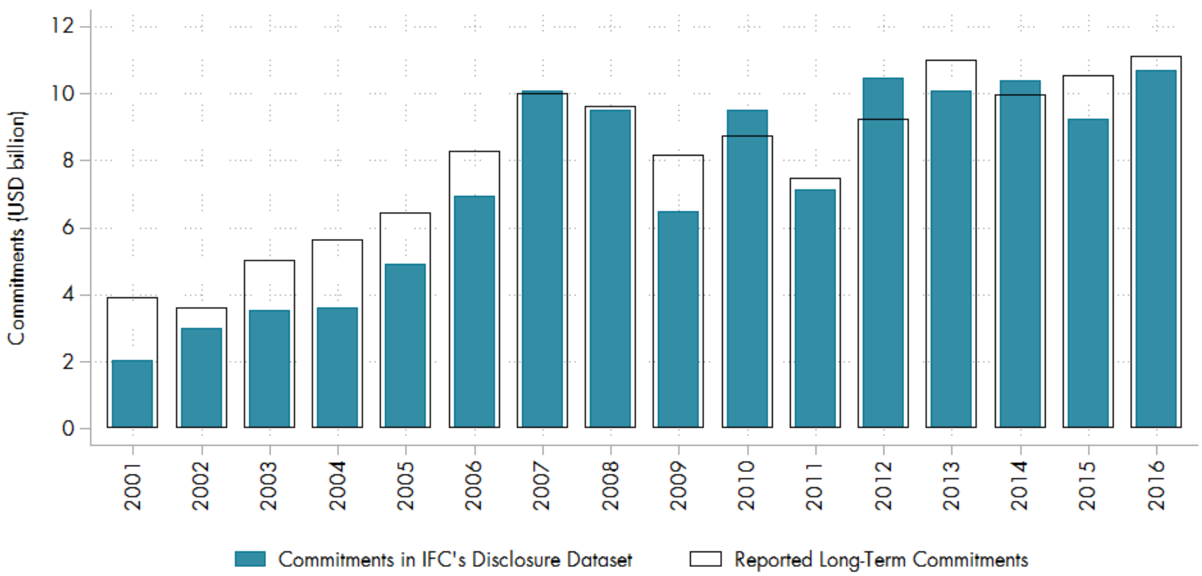
---

[4] World Bank 2017. Appendix 2 describes methodology for creating this list.
[5] World Bank (World Bank, 2016); World Bank, "How Does the World Bank Classify Countries?"
[6] OECD iLibrary 2016; John Norris, Casey Dunning, and Annie Malknecht (Center for American Progress, 2015).
[7] World Bank, "World Development Indicators 2016."

## 2.3 Comparison with Officially Reported Data

As a check on the quality of our data, we compared it to IFC's official reported commitment volumes from its annual report. We compare our data to long-term finance commitments only—loans, guarantees, equity, and advisory services projects. We find that there is some inconsistency with official reported data. The aggregate commitments from IFC's disclosure portal generally underestimate IFC's investments, particularly between 2001 and 2002.

**Figure 1: Commitments in disclosure database versus official reported commitments, 2001-2016**[8]



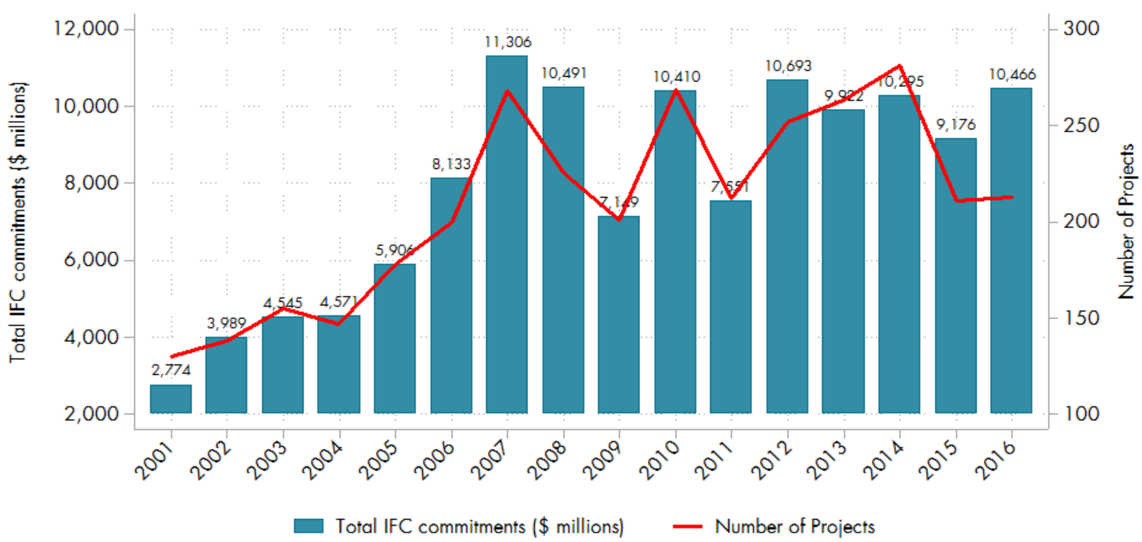

[8] The numbers in this figure on unadjusted for inflation. There is some inconsistency in IFC's reporting across years.

# 3. IFC Investments between 2001 and 2016

## 3.1 IFC Commitments in Summary

**Between 2001 and 2016, the IFC has committed $127 billion through 3,343 projects in debt financing, equity, guarantees, and risk management.** The volume of annual commitments increased significantly in the early 2000s and has fluctuated around $10 billion in annual commitments over the past 10 years. Over the past five years, IFC has committed an average of 244 projects and $10.1 billion per year.

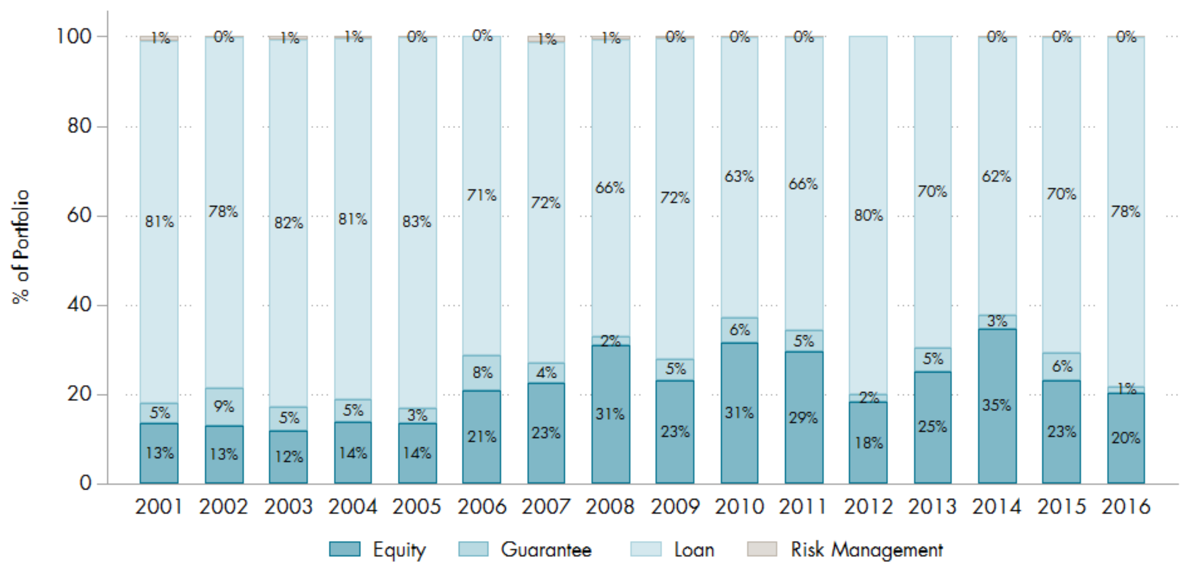
**Figure 2: IFC commitments, 2001-2016**




## 3.2 IFC Commitments by Instrument

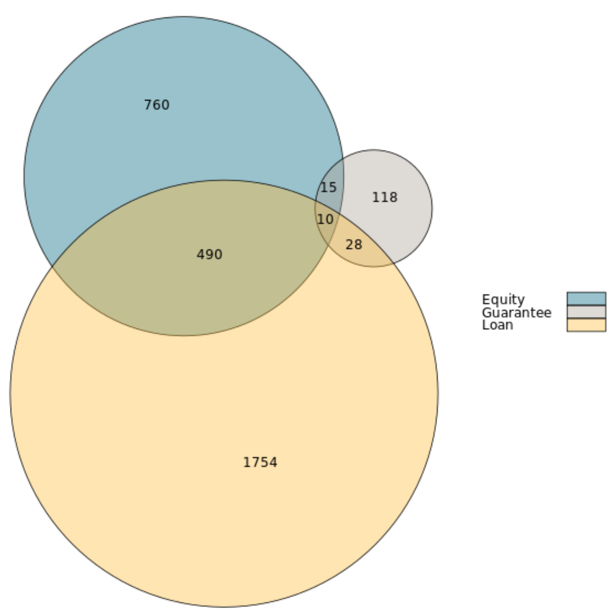
**IFC's commitments have always been dominated by loans, although IFC stepped up its equity portfolio in the late 2000s.** Between 2001 and 2004, IFC's annual equity commitments averaged $512 million. Between 2012 and 2016, IFC's annual equity commitments averaged $2.4 billion.

**Figure 3: IFC commitments by instrument, 2001-2016**




**30 percent of projects use two or more instruments.** 500 of the nearly 4,000 non-advisory services projects involve equity and loan instruments. 40 percent of equity projects involve another instrument.

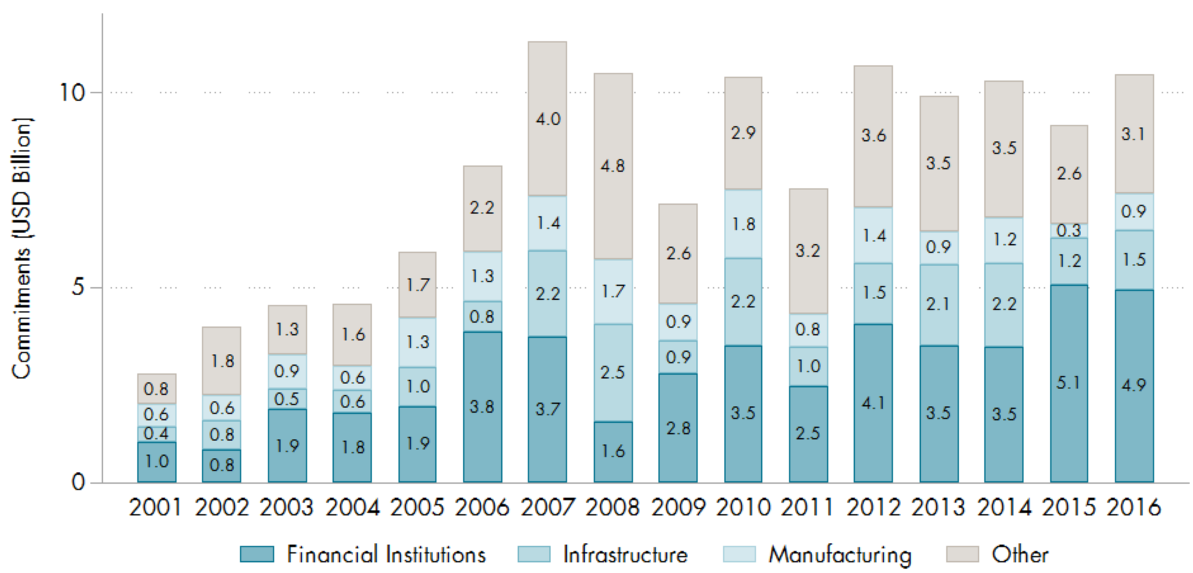
**Figure 4: Distribution of loan, equity, and guarantee projects**



### 3.3 IFC Commitments by Sector

**In terms of sector, the IFC invests largely in finance, infrastructure, and manufacturing projects.** Together, these three sectors have made up 66 percent of IFC's portfolio since 2001.[9] In most years, financial institutions are the largest sector in terms of project volume. Over the past fifteen years, there has been a slight move away from manufacturing projects and towards financial services and infrastructure projects, although percentages fluctuate year-to-year.

**Figure 5: IFC commitments by key expertise areas, 2001-2016**




**Agribusiness and forestry, funds, and extractives (e.g. oil, gas and mining) projects make up a smaller, but significant proportion of IFC's portfolio**. Health and education make up the smallest percentage of IFC's portfolio. However, IFC has stepped up its commitments to health and education in the past four years.

**Table 1: IFC commitments by expertise area, 2001-2016**

| Expertise Area | 2001-2004 | 2005-2008 | 2009-2012 | 2013-2016 | % of Portfolio, 2001-2016 |
|---|---|---|---|---|---|
| Financial Institutions | 5,501 | 11,060 | 12,815 | 16,984 | 36% |
| Infrastructure | 2,268 | 6,508 | 5,636 | 6,948 | 17% |
| Manufacturing | 2,703 | 5,597 | 4,990 | 3,331 | 13% |
| Agribusiness and Forestry | 1,005 | 2,564 | 3,147 | 3,242 | 8% |
| Funds | 387 | 3,222 | 2,282 | 2,621 | 7% |
| Oil, Gas and Mining | 1,327 | 2,574 | 1,449 | 2,347 | 6% |

[9] We categorized primary sectors into the expertise areas described on IFC's website, as described in Appendix 1.

| | | | | | |
|---|---|---|---|---|---|
| Tourism, Retail and Property | 917 | 1,803 | 1,105 | 1,347 | 4% |
| Telecommunications, Media and Technology | 1,141 | 893 | 1,673 | 1,232 | 4% |
| Health and Education | 186 | 802 | 1,656 | 1,529 | 3% |
| Other | 445 | 814 | 1,049 | 278 | 2% |

**IFC commitments in the financial institutions area are mostly concentrated in the commercial banking sector, with a significant focus on SMEs in recent years.** Between 2013 and 2016, nearly half (47 percent) of financial institutions projects mentioned SMEs in their project descriptions. By contrast, only 20 percent of financial institutions projects between 2001 and 2004 projects mentioned SMEs. IFC has also recently moved towards non-banking financial institutions and has invested over 1.5 billion in this sector since 2013.

**Table 2: IFC commitments to financial institutions, 2001-2016**

| Secondary Sector | 2001-2004 | 2005-2008 | 2009-2012 | 2013-2016 | % of Portfolio, 2001-2016 |
|---|---|---|---|---|---|
| Commercial Banking | 3,903 | 8,303 | 8,504 | 11,328 | 69% |
| Trade Finance Intermediary | 163 | | 1,959 | 254 | 5% |
| Housing Finance | 737 | 942 | 220 | 473 | 5% |
| Microfinance | 87 | 419 | 388 | 1,275 | 5% |
| Insurance | 171 | 319 | 690 | 602 | 4% |
| Other Non-Banking Financial Institution (NBFI) | | | 95 | 1,544 | 4% |
| Finance Companies | 213 | 580 | 452 | 339 | 3% |
| Rental & Leasing Services | 136 | 342 | 306 | 406 | 3% |
| Securities Markets | 63 | 143 | 118 | 248 | 1% |
| Development Finance Company | 27 | | 83 | 377 | 1% |
| Other | 1 | 12 | | 137 | 0% |

**Among infrastructure, IFC invests heavily in the transport and electric power sectors.** The sector makeup of IFC's portfolio varies from year to year, but those three sectors tend to make up a significant proportion of IFC's infrastructure investments. IFC classifies other types of infrastructure, including, telecommunications, media, and technology, under separate sectors

**Table 3: IFC commitments to infrastructure, 2001-2016[10]**

| Primary Sector | Secondary Sector | 2001-2004 | 2005-2008 | 2009-2012 | 2013-2016 | % of Portfolio, 2001-2016 |
|---|---|---|---|---|---|---|
| Electric Power | Renewable Energy Generation | 130 | 1,394 | 1,474 | 2,091 | 24% |
| Transportation and Warehousing | Transport Service | 381 | 1,363 | 1,147 | 1,768 | 22% |
| Electric Power | Thermal Power Generation | 528 | 1,226 | 840 | 884 | 16% |
| Transportation and Warehousing | Common Carriers | 412 | 962 | 646 | 481 | 12% |
| Utilities | Water, Wastewater and District Heating & Cooling | 336 | 253 | 633 | 295 | 7% |
| Electric Power | Electric Power Other (Including Holding Companies) | 53 | 176 | 88 | 620 | 4% |
| Electric Power | Electric Power Distribution | 61 | 254 | 292 | 232 | 4% |
| Utilities | Gas Distribution | 117 | 419 | 117 | 157 | 4% |
| Electric Power | Electric Power Transmission | 241 | 23 | 160 | 205 | 3% |
| Transportation and Warehousing | Warehousing & Storage | 10 | 192 | 151 | 34 | 2% |
| Electric Power | Integrated Utilities | | 246 | 54 | | 1% |
| Utilities | Waste Treatment and Management | | | | 175 | 1% |
| Electric Power | Energy Efficiency | | | 35 | 5 | 0% |

**Among manufacturing projects, the IFC has invested heavily in the chemicals sector in recent years.** In past years, other sectors of heavy IFC investment were pulp & papers, mineral production, and metals.

**Table 4: IFC commitments to manufacturing, 2001-2016**

| Primary Sector Name | 2001-2004 | 2005-2008 | 2009-2012 | 2013-2016 | % of Portfolio, 2001-2016 |
|---|---|---|---|---|---|
| Chemicals | 465 | 1,642 | 2,209 | 1,429 | 35% |
| Industrial & Consumer Products | 639 | 1,203 | 1,148 | 501 | 21% |
| Nonmetallic Mineral Product Manufacturing | 665 | 1,243 | 874 | 673 | 21% |
| Pulp & Paper | 407 | 523 | 199 | 464 | 10% |
| Primary Metals | 262 | 820 | 257 | 136 | 9% |
| Textiles, Apparel & Leather | 138 | 166 | 64 | 72 | 3% |
| Plastics & Rubber | 127 | | 240 | 57 | 3% |

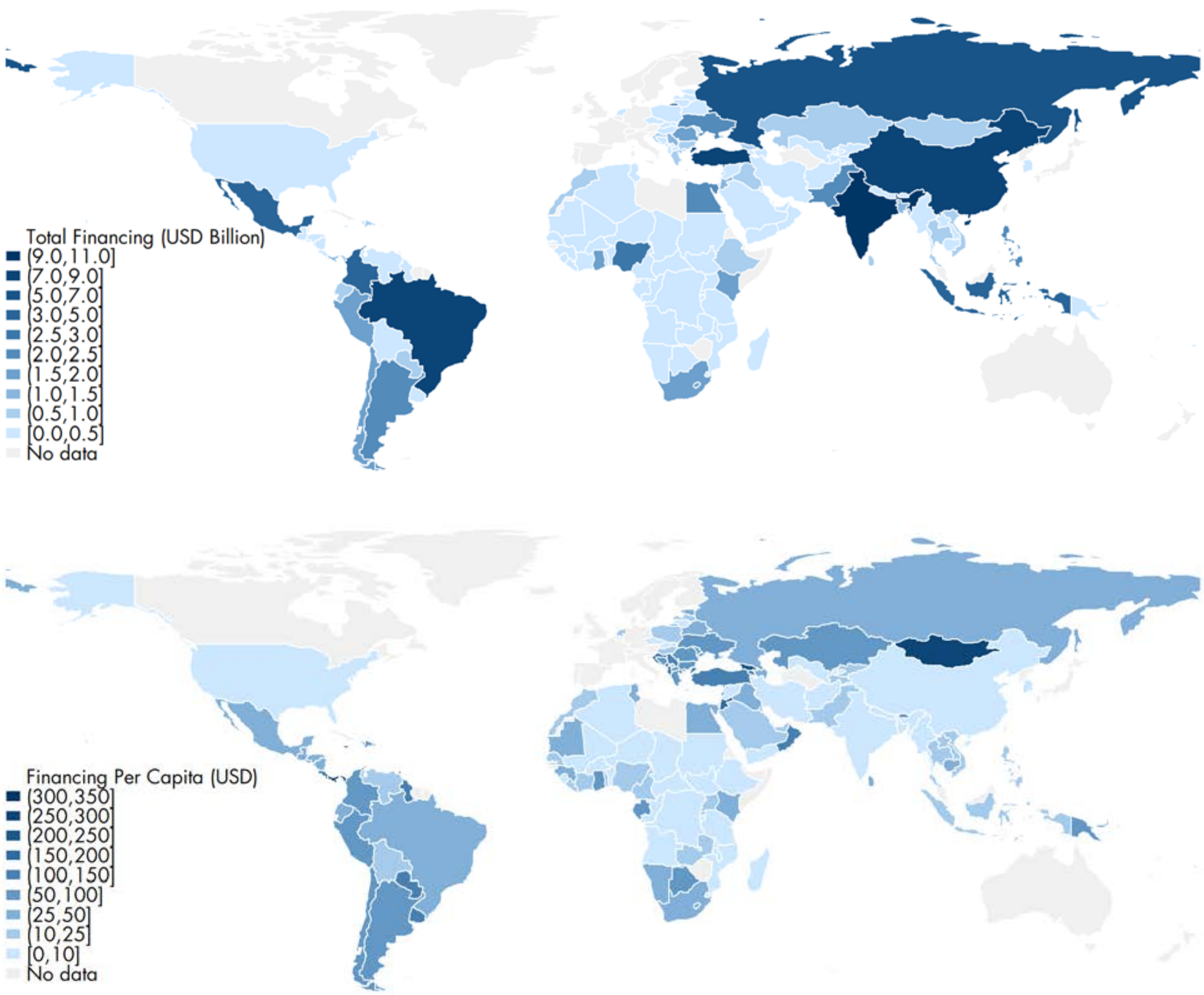
[10] The "common carriers" sector includes air transport, rail transport, water transport, ground passenger transit, and general freight trucking. The "transport service" sector refers to large transport projects, including oil and gas transport, port and harbor operations, and highway operations.

# 4. IFC Investments by Country Risk

In this section, we explore IFC's investments in developing countries, measured by income country income category, fragility, and credit risk.

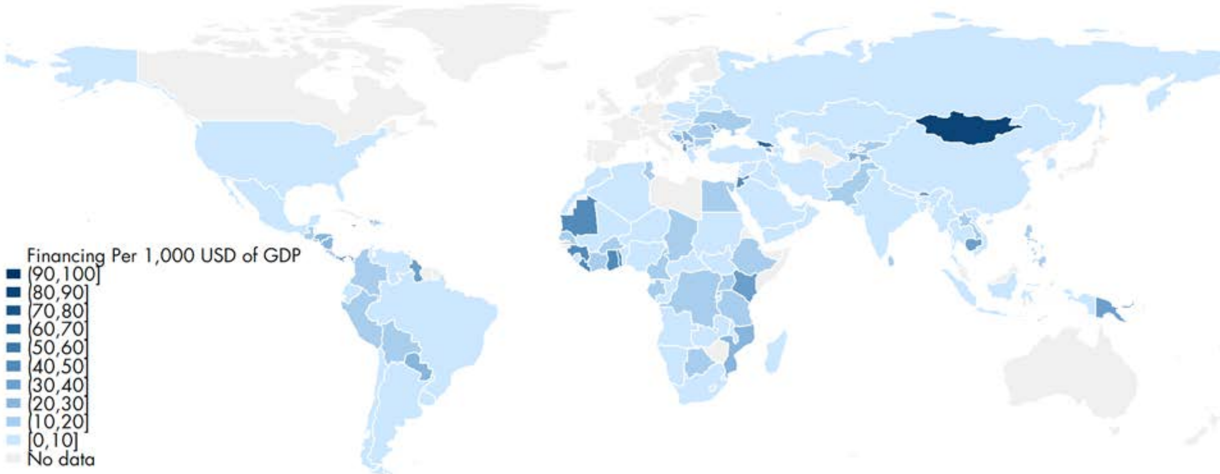
**The largest recipients of IFC financing by volume have been large, middle-income economies: India ($10.1 billion), Turkey ($8.1 billion), China ($7.8 billion), Brazil ($7.7 billion), and Russia ($6.6 billion)**. Other countries that have received over $2.5 billion in financing from the IFC since 2001 are Mexico, India, Colombia, and Nigeria.

**Figure 6: Maps of IFC commitments total (top), per capita (middle) and per $1000 of GDP in USD, 2001 to 2016**[11]




---

[11] IFC reports the country of investment. In some cases, IFC may support will support a funds or companies that are incorporated in one country but with a portfolio in another group of countries. For example, IFC has offered technical assistance to the SME Finance Forum, which is in turn managed by the Washington, DC-based IFC, and thus the IFC considers the project to be in the United States.




**When adjusted for population, the countries with the highest concentration of financing are smaller middle-income countries in the Middle East, Central Asia, Latin America.** The top recipients of IFC financing per capita include Panama ($314), Mongolia ($281), and Georgia ($212). Other countries with concentrated IFC financing include Montenegro, Jamaica, Jordan, and Croatia.

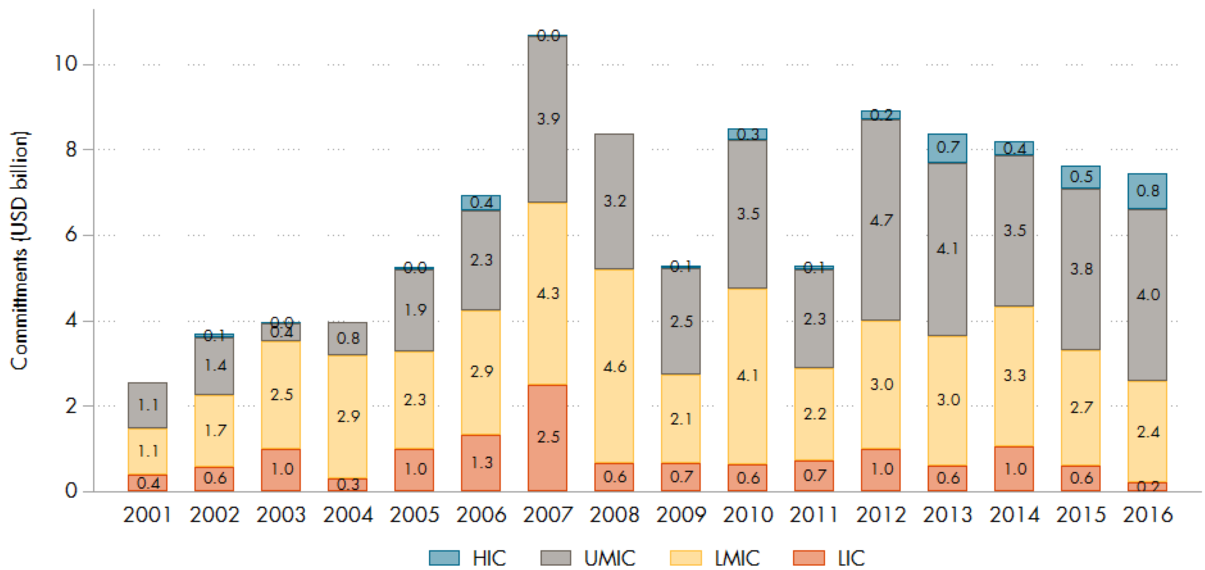
## 4.1 IFC Investments by Income Classification

**IFC has committed the vast majority of its investment portfolio to middle income countries in recent years.**[12] In 2003, over 25 percent of IFC's investments went towards low-income countries. In 2016, investments in low-income countries comprised 2.6 percent of the IFC's portfolio.

**This is partially accounted for by the fact graduation of several key partners into middle income status.** In 2016, under 3 percent of the IFC's commitments went to low-income countries. However, 30 percent of IFC's commitments in 2016 went to countries that have graduated out of low-income status since 2001. This group of "low-income graduates," which includes India, Nigeria, Ukraine, Indonesia, and Georgia. IFC appears to be increasingly focused on these low-income graduates, which have increased as a proportion of IFC's portfolio from 15-20 percent of IFC's portfolio between 2001 and 2003 and 30-40 percent of IFC's portfolio from 2011 onward.

[12] For a comprehensive analysis of how country income categories have changed over time, see Matt Juden (2016).

**Figure 7: IFC investments by World Bank income category**

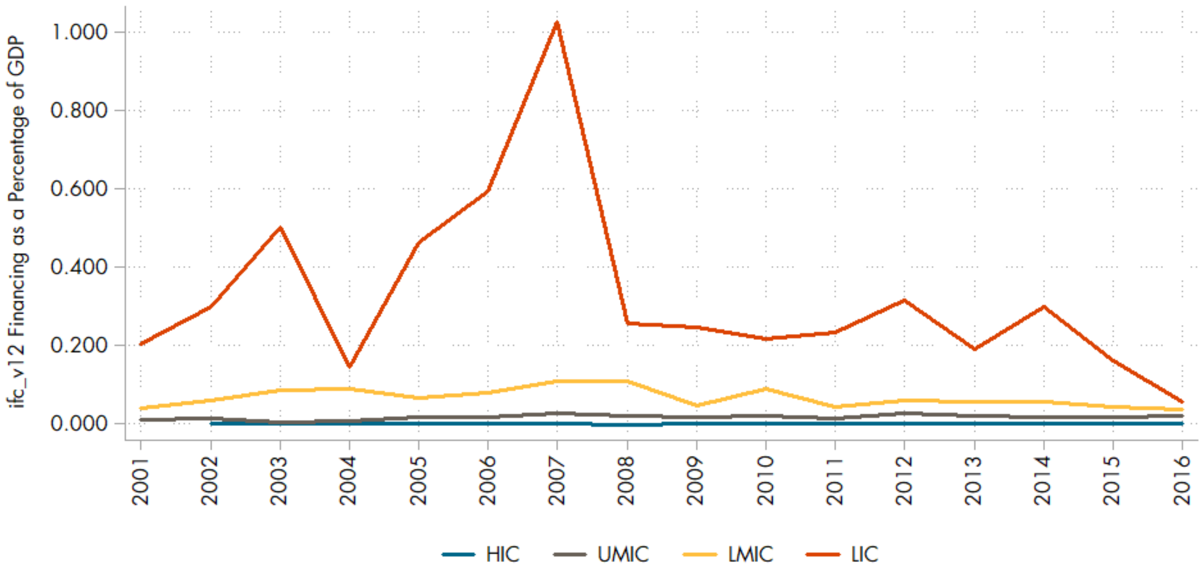



**Beyond India, a significant amount of IFC's commitments went towards Turkey, China, and Brazil.** Between 2013 and 2016, IFC committed $3.8, $2.9, and $3.0 billion to Turkey, China, and Brazil, making them some of the largest recipients of IFC investment.[13] These three countries consistently account for roughly 10-30 percent of IFC's commitments since 2001. Turkey, China, and Brazil have also graduated out of lower middle income status and now considered upper middle countries, partly driving IFC's shift to upper middle income countries.

**Comparing commitment numbers to the scale of the economies involved suggests greater effort in low-income countries**. In 2016, IFC investments in low income countries were equivalent to 0.06 percent of their current market GDP, whereas IFC investments in lower-middle and upper-middle income countries were worth 0.04 percent of GDP and 0.02 percent of GDP, respectively. 2016 appears to have been a particularly bad year for IFC investment in low income countries, which had remained above 0.2 percent of GDP in most previous years, nonetheless IFC's commitments to low-income countries as a percentage of GDP appears to have decreased since the early 2000s.

[13] India was the second largest recipient of IFC investment during this time period, receiving $3.3 billion.

**Figure 8: IFC aggregate investments as a percentage of GDP, 2001-2016**




**It is also worth noting that had all of IFC's commitments been in low-income countries in 2016, that would have equaled an investment level equal 2 percent of the income group's GDP.** IFC (only) has the scale to significantly impact private investment in low income countries.

## 4.2 IFC Investments by World Bank Lending Category

**The majority of IFC investments have gone towards IBRD countries rather than IDA countries.**[14] As World Bank lending status is largely determined by income, this should come as little surprise given the results above. For every dollar of commitment to an IDA country, IFC has committed almost three dollars to IBRD countries. IFC has committed a small amount to non-lending countries, like Greece, Oman, the and the West Bank and Gaza.

**Table 5: IFC commitments by World Bank lending category, 2001-2016**

| Lending Category | 2001-2004 | 2005-2008 | 2009-2012 | 2013-2016 | % of IFC Portfolio |
|---|---|---|---|---|---|
| **IBRD** | 10,952 | 21,099 | 18,340 | 23,291 | 70% |
| **IDA** | 2,960 | 9,394 | 9,054 | 8,193 | 28% |
| **Non-Lending** | 240 | 714 | 542 | 742 | 2% |

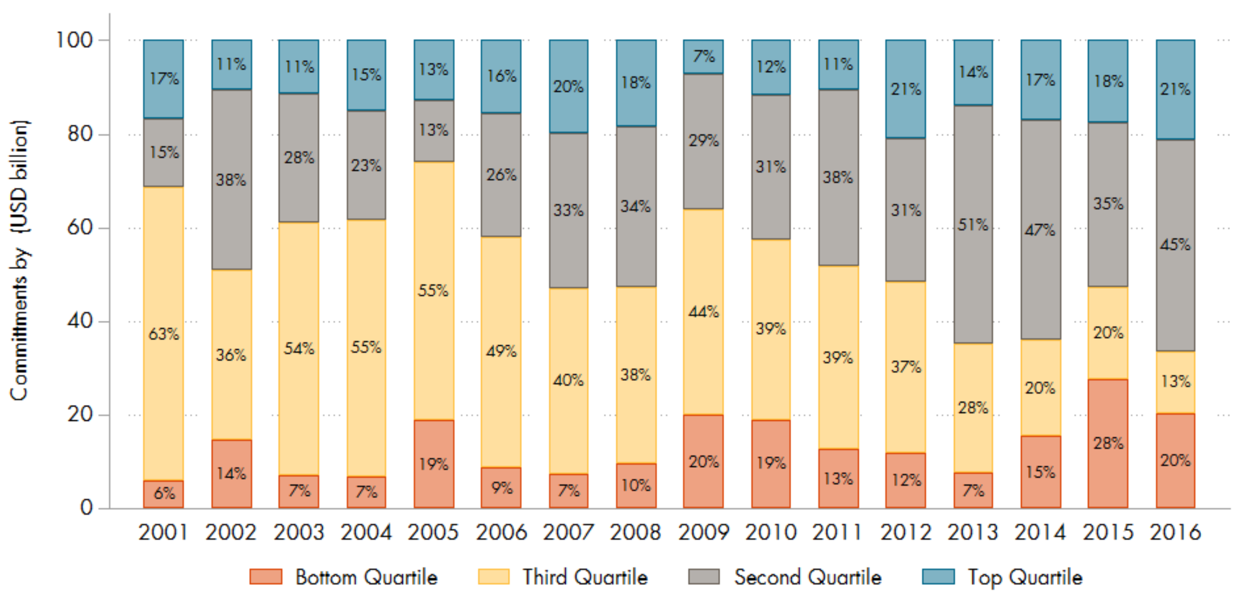
[14] Due to difficulty in tracking historical country operational lending categories, Blend countries are considered IDA countries in this analysis. More information on historical country operational lending categories is available in Appendix 3.

**However, most IDA funding has gone to that have graduated into Blend or IBRD lending.** Almost 30 percent of IFC's investment in IDA countries since 2001 has gone towards India, which became an IBRD country in 2014. Other major IDA recipients include Nigeria (9 percent), Pakistan (8 percent), and Kenya (7 percent) which are now considered Blend countries. The largest non-Blend IDA recipient is Bangladesh, which received 1.1 billion in financing since 2001.

## 4.3 IFC Investments by Credit Depth

**We find that IFC has made investments in less risky countries.**[15] In the early 2000s, the IFC directed most if its flow towards countries in the second quartile, with below-median credit. Over the past fifteen years, IFC's portfolio has shifted to above-median credit countries. Once again, this is largely due to the same trends as the income status—IFC is investing in many of the same countries (e.g. Turkey, Brazil, and India), which have moved above the median in credit depth. At the same time, IFC has not adjusted its portfolio to focus on countries with less domestic private credit depth.

**Figure 9: IFC commitments by domestic credit depth quartile, 2001-2016** [16]




---

15 Domestic credit depth

16 We divide countries into four credit depth categories, which are determined for that particular year in the universe of all countries. As such, the top 25 percent of all countries ranked are classified as having "high" private domestic credit depth. Since the quartiles are determined on an annual basis, the makeup of each quartile changes. This approach controls for broader credit depth increases within most developing countries over time.

## 4.4 IFC Investments by Fragility

**The IFC has been increasing its investments going towards fragile states, but they still make up a small slice of IFC's total portfolio.** The Fund for Peace's Fragile States Index began in 2006. Stable or sustainable countries received 12 percent of commitments in 2005-2008, rising to 14 percent in 2013-16. Countries deemed "alert" by the Fragile States Index, the largest of which were Pakistan, Kenya, and Guinea, received 9 percent of commitment volumes 2005-8, compared to 16 percent in 2013-16. Among the most fragile states, countries deemed "very high alert," IFC has committed very little and has only committed to investments in the Democratic Republic of the Congo, Chad, Sudan and South Sudan. The bulk of financing to the most fragile states has gone to the Democratic Republic of the Congo.

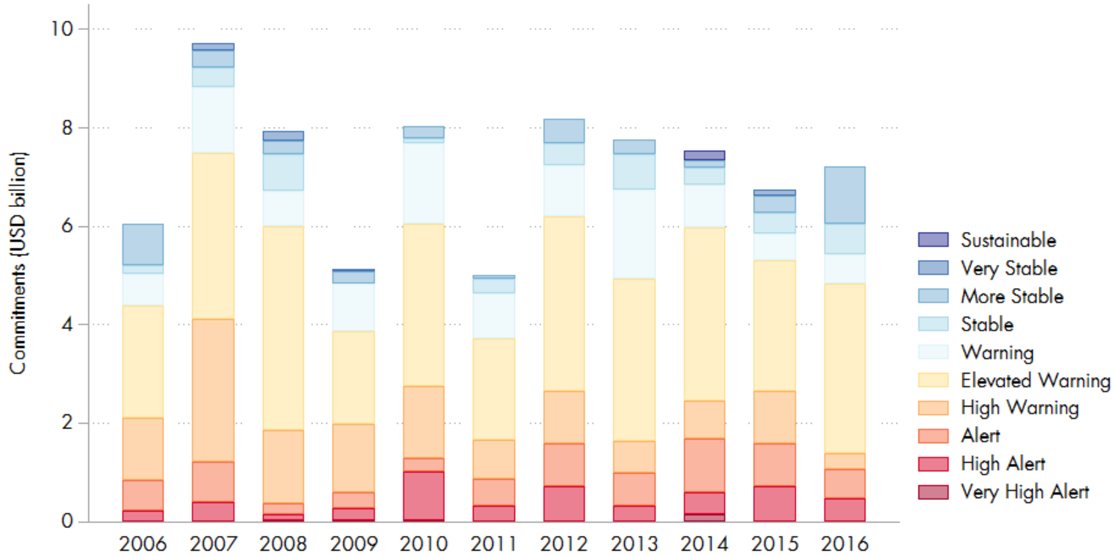
**Table 6: IFC commitments by fragility**

| Fragile States Index Tier | 2005-2008 | 2009-2012 | 2013-2016 | % of IFC Portfolio | Largest recipient, 2013-2016 |
|---|---|---|---|---|---|
| Sustainable | | | 177 | 0% | The Netherlands |
| Very Stable | 364 | 56 | 123 | 1% | Poland |
| More Stable | 1,451 | 1,064 | 1,980 | 5% | Argentina |
| Stable | 1,326 | 864 | 2,072 | 5% | Panama |
| Warning | 2,686 | 4,556 | 3,831 | 13% | Brazil |
| Elevated Warning | 9,827 | 11,493 | 15,235 | 43% | Turkey |
| High Warning | 7,479 | 5,624 | 3,423 | 19% | Colombia |
| Alert | 1,647 | 1,980 | 3,243 | 8% | Kenya |
| High Alert | 741 | 2,267 | 1,925 | 6% | Pakistan |
| Very High Alert | 4 | 30 | 130 | 0% | The Democratic Republic of the Congo |

**The bulk of IFC's portfolio falls into "warning" countries, neither clearly stable or clearly fragile.** IFC's largest partners (Turkey, Brazil, India, and Colombia) have remained in the same "warning" category since 2006, with the exception of China (which moved from High Warning to Elevated Warning in 2011). This is in part due to larger trends—fewer countries are more fragile (i.e. high warning, alert), but more countries are very fragile (i.e. high alert and very high alert).[17]

[17] More information on the Fragile States Index is available in Appendix 3.

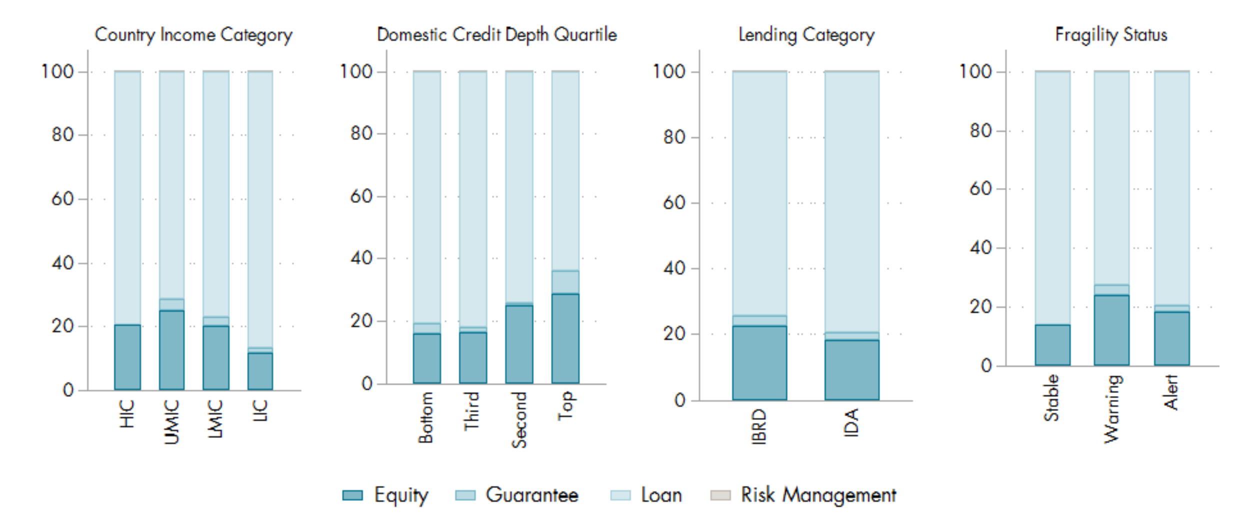
**Figure 10: IFC commitments by fragility**




## 4.5 Comparison of IFC's Approach by Country Risk

**Regarding the use of instruments in riskier environments, IFC appears to be more likely to use loans and debt instruments in riskier countries**—low- and lower-middle income countries, IDA countries, and fragile states. This suggest a lack of equity investment opportunities in riskier environments.

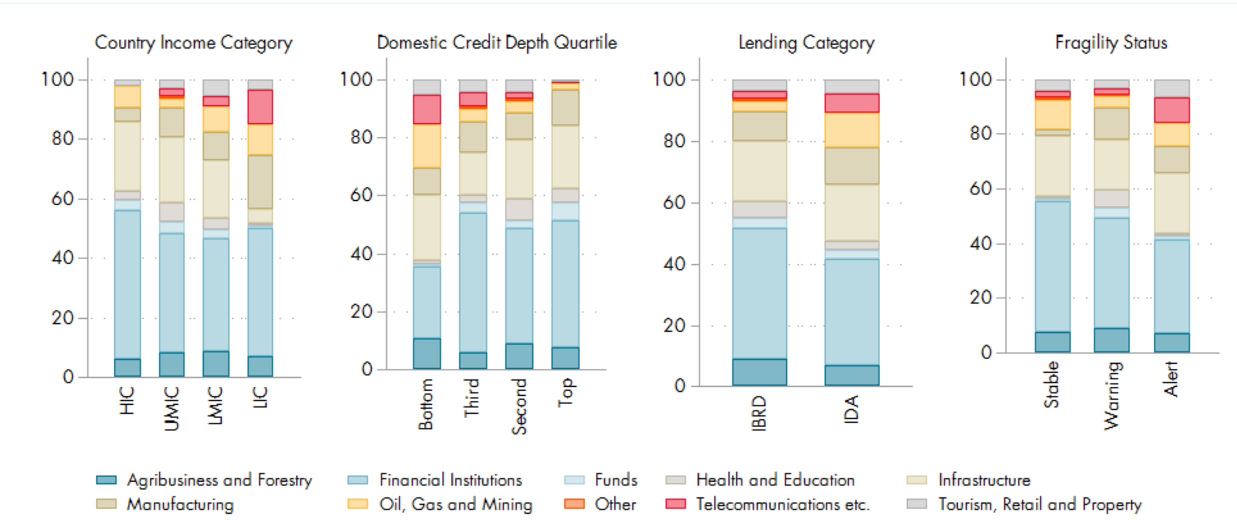
**Figure 11: IFC commitments by instrument and country risk category, 2012-2016**[18]




[18] 2 projects in "Sustainable" countries have been excluded from the fragility status graphs.

**With respect to sector, telecommunications and extractives (i.e., oil, gas, and mining) projects make up a larger proportion of the IFC's portfolio in low-income countries, IDA countries, and/or fragile states.** By contrast, financial institutions and infrastructure projects make up larger proportions of the IFC's portfolio in less risky and wealthier states.

**Figure 12: IFC commitments by sector and country risk category, 2012-2016[19]**

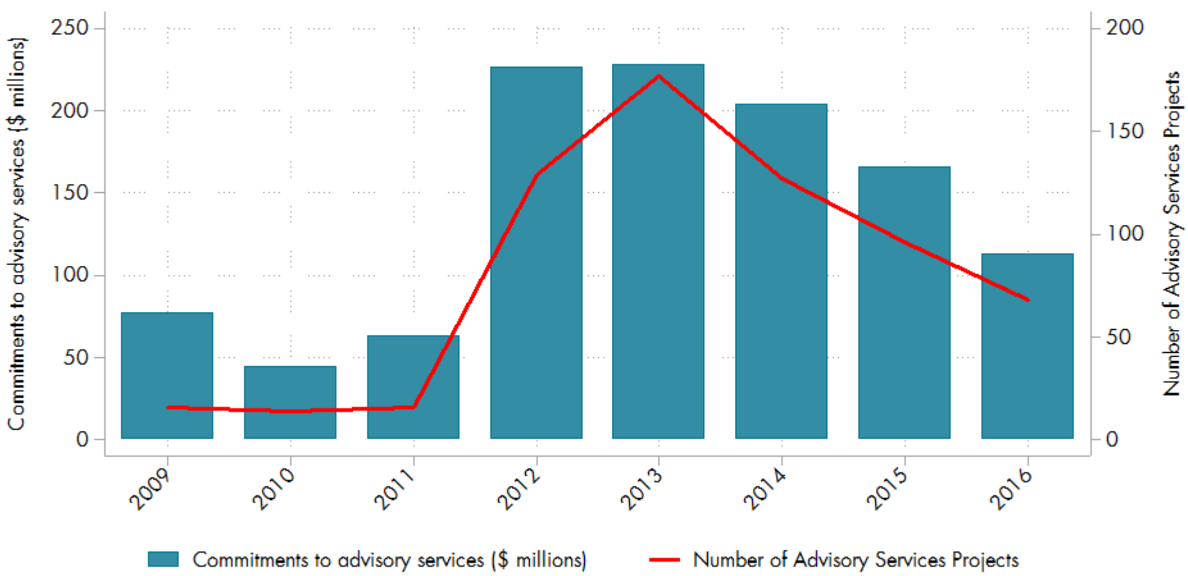



[19] 2 projects in "Sustainable" countries have been excluded from the fragility status graphs.

## 5. IFC Advisory Services Projects between 2009 and 2016

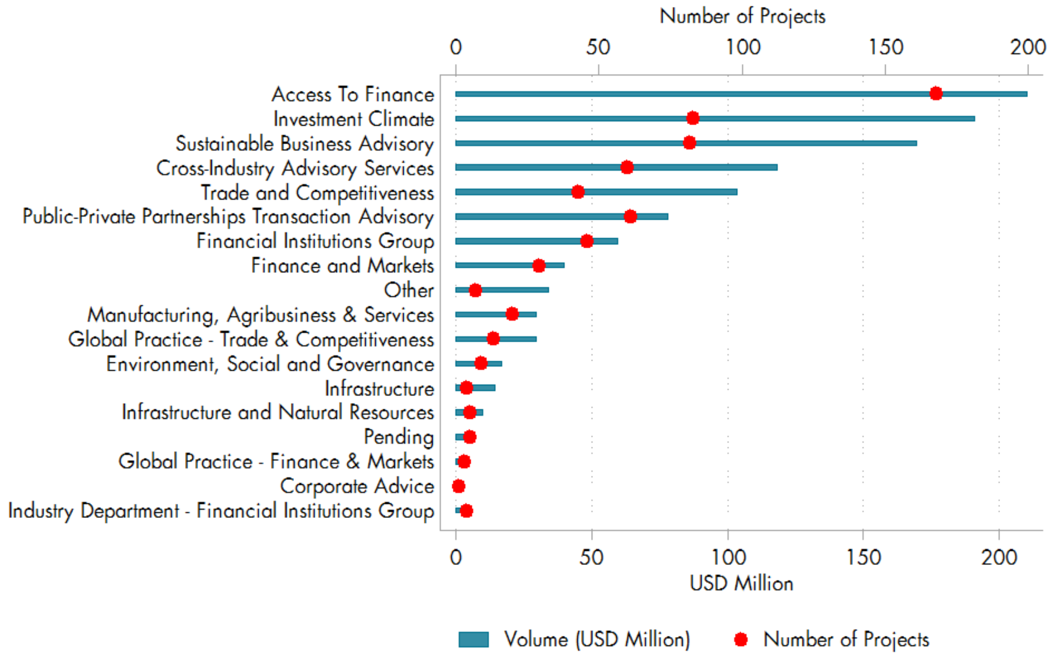
Data on advisory service projects is available from May 2009 onward. The IFC offers advisory services to businesses in a range of areas, including obtaining access to finance, improving investment climate, and improving sustainability in water and energy use. Projects range in size from $22,500 to over $6 million. It appears that the volume and number of advisory services projects increasingly significantly in 2012.

**Figure 13: IFC advisory services projects, 2009-2016**



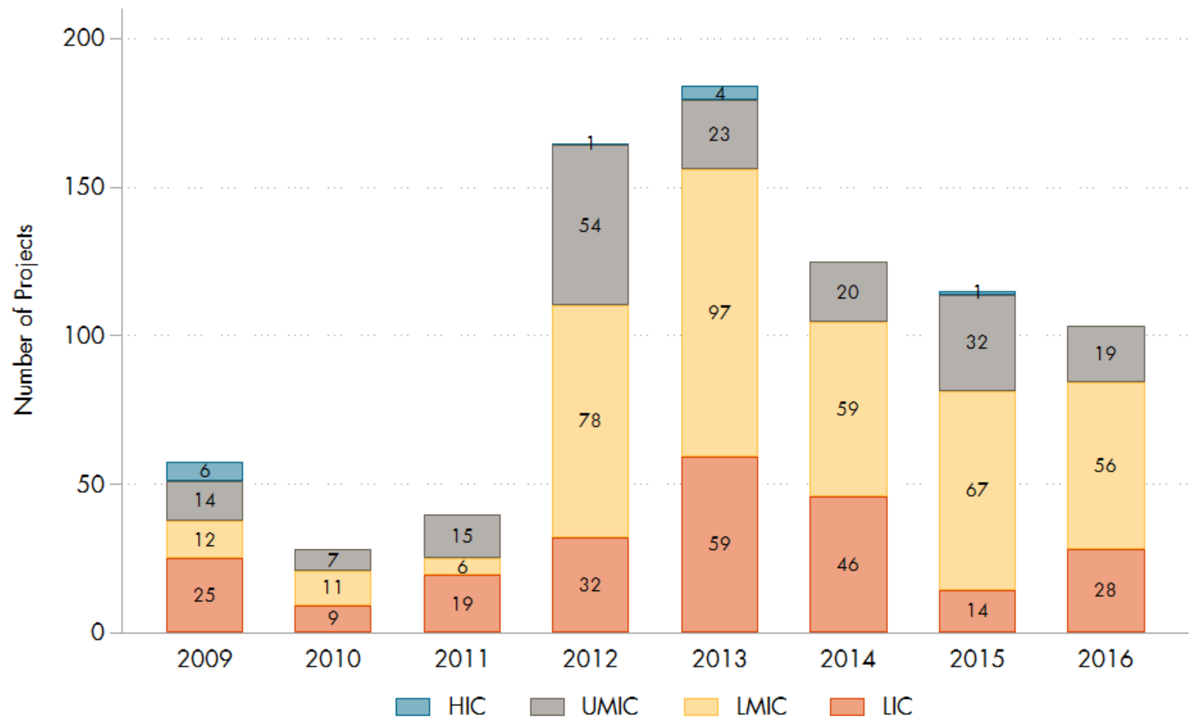

**Over half (52 percent) of all advisory services projects can be classified as access to finance, investment climate, or sustainable business advisory projects.** These three areas also make up the largest group of advisory services projects by volume.

**Figure 14: IFC advisory services by business line**




**Unlike investment projects, advisory services projects are more concentrated in low-income and IDA countries.** Since 2009, over 50 percent of advisory services projects have gone towards IDA countries, compared to under 30 percent of IFC investment. Similarly, 32 percent of advisory projects have gone towards LICs, whereas 12 percent of IFC investment has gone towards LICs. We see a similar trend when we examine countries by credit depth quartile. In 2016, over half of IFC's advisory services projects went towards countries in the lowest credit depth quartile.

**Figure 15: IFC advisory services projects by country income category**




**IFC has also committed to a significant number of advisory services projects in IDA countries and fragile states.** Over one third of advisory services projects since 2009 went to countries categorized as a "Alert" in the Fragile States Index, led by Bangladesh (27), Pakistan (18), Kenya (16), and Nigeria (14). Over half of all advisory services projects were in IDA or Blend countries, including 40 projects in India. Other major recipients of advisory services projects include Brazil (15 projects), the Philippines (15 projects), and Ukraine (13 projects). The IFC also committed to 70 regional projects under advisory services.

## 6. Policy Implications

1) **IFC's portfolio is not focused where it could make the most difference**. Over the past decade, IFC has inadequately refocused financing, as many of its traditional partners are becoming wealthier with a more developed domestic financial sector.[20] Low income countries are where IFC has the scale to make a considerable difference to macro development outcomes. They are the countries with the greatest need for investment and (implicit) guarantee mechanisms for private investment, in particular. And these are the countries receiving the bulk of advisory services support—supposedly designed to ensure more opportunities for private sector investment. But they are a declining part of the IFC portfolio. While an excessive portfolio shift towards such markets might imperil IFC's own credit rating, available evidence suggests the corporation's portfolio has become less risky over time, suggesting considerable scope for more commitments to low income countries going forward without credit rating concerns. The IFC has recently received IDA financing to increase investment in low income and fragile states—it seems plausible that the IFC might have been able to increase its exposure even without that support.

2) **IFC's primary focus has become financial services projects, primarily to SMEs through on-lending.** It is not clear that this is where the largest development impact of financing is to be found.

3) **IFC's problems mirror those of OPIC, and policy recommendations may be similar.** Past work on OPIC, like the IFC, found that the institution shifted away from low-income countries and to middle- and high-income countries in recent years. Some of this movement is due to external factors, like large economies like Indonesia and Nigeria graduating out of low-income status. Yet this pattern holds across other measures of "developing country," like domestic credit depth. CGD has suggested several reforms for OPIC to balance competing objectives, including stoplights filters to balance developmental impact and additionality. These filters could also prove valuable to the IFC.

4) **Volume isn't everything; IFC's greatest impact may be poorer countries with smaller economies.** The fact that two of the largest DFIs share many of the same issues with portfolio focus suggest DFIs may have more trouble focusing their portfolio as they get larger. The largest recipients of IFC financing include the BRIC countries and Turkey. The economies of these countries have all grown significantly over the past fifteen years. Today, IFC's value add is limited, as IFC investments are dwarfed by other flows. There may still be value in investing in specific sectors in these countries. IFC's greatest impact may be in large-scale investments in poorer, riskier countries.

5) **There is still room to improve on development results and additionality reporting**. IFC is a leader among DFIs in terms of transparency, but DFIs broadly

[20] Past work on the US DFI OPIC's portfolio similarly found that the US DFI has appeared to shift away from low-income countries and to middle- and high-income countries in recent years (Leo and Moss 2016).

have plenty of room to improve in releasing results in an easily accessible manner.[21] In particular, data on development results (full DOTS data) and additionality (e.g. leverage ratios and the sequencing of investment) would be integral in a conducting a thorough analysis on IFC's portfolio. Additional data on additionality and development results could help justify IFC's in more developed countries.

[21] Jared Kalow, Ben Leo, and Todd Moss (2016).

## References

IDA. "IDA Graduates." *International Development Association*, 2016. http://ida.worldbank.org/about/ida-graduates.

IFC. "IFC Access to Information Policy." IFC, 2012. http://www.ifc.org/wps/wcm/connect/98d8ae004997936f9b7bffb2b4b33c15/IFCPolicyDisclosureInformation.pdf?MOD=AJPERES.

———. "International Finance Corporation's Policy on Disclosure of Information." IFC, 2006. http://www.ifc.org/wps/wcm/connect/b8faf60046a4ac3ab061f69111d74ae7/ProjectDisclosurePolicyEnglish2006.pdf?MOD=AJPERES.

———. "Overview." *International Finance Corporation*, 2017. http://www.ifc.org/wps/wcm/connect/CORP_EXT_Content/IFC_External_Corporate_Site/Solutions/Solutions.

Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries. "From Billions to Trillions: Transforming Development Finance." Development Committee Discussion Note. World Bank and International Monetary Fund, 2015. http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002(E)FinancingforDevelopment.pdf.

Juden, Matt. "Which Countries Have Graduated from Each Income Group, and When?" Center For Global Development. *Views from the Center*, 2016. https://www.cgdev.org/blog/which-countries-have-graduated-each-income-group-and-when.

Kalow, Jared, Ben Leo, and Todd Moss. "How Transparent Are Development Finance Institutions?" Center For Global Development. *Views from the Center*, 2016. https://www.cgdev.org/blog/how-transparent-are-development-finance-institutions.

Leo, Benjamin. "The OPIC Scraped Portfolio Dataset." Center for Global Development, 2016. https://www.cgdev.org/media/opic-scraped-portfolio-dataset.

Leo, Benjamin, and Todd Moss. "Bringing US Development Finance into the 21st Century: Proposal for a Self-Sustaining, Full-Service USDFC." Rethinking US Development Policy. Center for Global Development, 2015. http://www.cgdev.org/publication/bringing-us-development-finance-21st-century-proposal-self-sustaining-full-service-usdfc.

———. "Inside the Portfolio of the Overseas Private Investment Corporation." Policy Paper. Center for Global Development, 2016. https://www.cgdev.org/sites/default/files/CGD-Policy-Paper-81-Leo-Moss-Inside-the-OPIC-Portfolio.pdf.

Norris, John, Casey Dunning, and Annie Malknecht. "Fragile Progress: The Record of the Millennium Development Goals in States Affected by Conflict, Fragility, and Crisis." Center for American Progress, 2015. https://www.americanprogress.org/issues/security/reports/2015/06/08/114296/fragile-progress/.

OECD. "Development Aid Rises Again in 2016." Organisation for Economic Co-operation and Development, 2017. http://www.oecd.org/dac/development-aid-rises-again-in-2016-but-flows-to-poorest-countries-dip.htm.

OECD iLibrary. *States of Fragility 2016: Understanding Violence.*, 2016. http://dx.doi.org/10.1787/9789264267213-en.

The Fund for Peace. "Fragile States and CAST Framework Methodology." The Fund for Peace, 2017. http://fundforpeace.org/fsi/methodology/.

UNCTAD, ed. *Investing in the SDGs: An Action Plan*. World Investment Report 2014. New York: United Nations, 2014.

World Bank. "How Does the World Bank Classify Countries?" *World Bank Group*, 2017. https://datahelpdesk.worldbank.org/knowledgebase/articles/378834-how-does-the-world-bank-classify-countries.

———. "World Development Indicators 2016." World Bank, 2016. https://openknowledge.worldbank.org/handle/10986/23969.

## Appendix 1: IFC Expertise Areas

IFC currently classifies projects into 25 primary sectors, 87 secondary sectors, and 270 tertiary sectors. We categorized the 25 primary sectors into 10 expertise areas according to the IFC's website.[22] The mapping of expertise areas to primary sectors and secondary sectors, all of which are used in this analysis, is below:

**Table 7: IFC expertise areas, primary sectors, and secondary sectors**

| Expertise Area | Primary Sector Name | Secondary Sector Name | IFC Projects in Database |
|---|---|---|---|
| Agribusiness and Forestry | Agriculture and Forestry | Animal Production | 43 |
| Agribusiness and Forestry | Agriculture and Forestry | Crop Production | 131 |
| Agribusiness and Forestry | Agriculture and Forestry | Fishing | 2 |
| Agribusiness and Forestry | Agriculture and Forestry | Forestry | 9 |
| Agribusiness and Forestry | Food & Beverages | Beverages | 41 |
| Agribusiness and Forestry | Food & Beverages | Food Manufacturing | 120 |
| Financial Institutions | Finance & Insurance | Commercial Banking | 849 |
| Financial Institutions | Finance & Insurance | Credit Bureaus | 1 |
| Financial Institutions | Finance & Insurance | Development Finance Company | 9 |
| Financial Institutions | Finance & Insurance | Finance Companies | 60 |
| Financial Institutions | Finance & Insurance | Financial Transactions Processing | 18 |
| Financial Institutions | Finance & Insurance | Housing Finance | 71 |
| Financial Institutions | Finance & Insurance | Insurance | 50 |
| Financial Institutions | Finance & Insurance | Merchant Bank | 2 |
| Financial Institutions | Finance & Insurance | Microfinance | 179 |
| Financial Institutions | Finance & Insurance | Other Non-Banking Financial Institution (NBFI) | 44 |
| Financial Institutions | Finance & Insurance | Rental & Leasing Services | 60 |
| Financial Institutions | Finance & Insurance | Securities Markets | 19 |
| Financial Institutions | Finance & Insurance | Trade Finance Intermediary | 23 |
| Funds | Collective Investment Vehicles | Fund Management Companies (Tied to a Collective Investment Vehicle) | 1 |
| Funds | Collective Investment Vehicles | Fund of Funds/Secondaries | 0 |
| Funds | Collective Investment Vehicles | Non-Fund Collective Investment Vehicles | 4 |
| Funds | Collective Investment Vehicles | Private Equity Funds | 244 |
| Funds | Collective Investment Vehicles | Sector Funds and Non-Private Equity Funds | 13 |
| Health and Education | Education Services | Education | 86 |
| Health and Education | Health Care | Hospitals, Clinics, Laboratories & Other | 116 |
| Infrastructure | Electric Power | Electric Power Distribution | 19 |
| Infrastructure | Electric Power | Electric Power Funds (non RE) | 0 |

[22] IFC 2017.

| | | | |
|---|---|---|---|
| Infrastructure | Electric Power | Electric Power Other (Including Holding Companies) | 19 |
| Infrastructure | Electric Power | Electric Power Transmission | 9 |
| Infrastructure | Electric Power | Energy Efficiency | 4 |
| Infrastructure | Electric Power | Integrated Utilities | 6 |
| Infrastructure | Electric Power | Power Projects through FI (non RE) | 0 |
| Infrastructure | Electric Power | Renewable Energy Generation | 131 |
| Infrastructure | Electric Power | Thermal Power Generation | 55 |
| Infrastructure | Transportation and Warehousing | Common Carriers | 73 |
| Infrastructure | Transportation and Warehousing | Transport Service | 108 |
| Infrastructure | Transportation and Warehousing | Warehousing & Storage | 18 |
| Infrastructure | Utilities | Gas Distribution | 17 |
| Infrastructure | Utilities | Waste Treatment and Management | 3 |
| Infrastructure | Utilities | Water, Wastewater and District Heating & Cooling | 55 |
| Manufacturing | Chemicals | Basic Chemical Manufacturing | 40 |
| Manufacturing | Chemicals | Other Chemicals | 22 |
| Manufacturing | Chemicals | Paint and Adhesives | 1 |
| Manufacturing | Chemicals | Pesticides, Fertilizer and Other Agricultural Chemical Manufacturing | 22 |
| Manufacturing | Chemicals | Petroleum & Coal Products | 17 |
| Manufacturing | Chemicals | Pharmaceuticals | 40 |
| Manufacturing | Chemicals | Resins, Synthetic Rubber, and Artifical Synthetic Fibers and Filament Manufacturing | 17 |
| Manufacturing | Chemicals | Soaps | 5 |
| Manufacturing | Industrial & Consumer Products | Consumer Goods | 0 |
| Manufacturing | Industrial & Consumer Products | Electrical Equipment, Appliances and Components | 39 |
| Manufacturing | Industrial & Consumer Products | Fabricated Metal Product Manufacturing | 11 |
| Manufacturing | Industrial & Consumer Products | Furniture and Related Products | 4 |
| Manufacturing | Industrial & Consumer Products | Machinery and Other Industrial | 11 |
| Manufacturing | Industrial & Consumer Products | Renewable Energy Equipment | 6 |
| Manufacturing | Industrial & Consumer Products | Transportation Equipment | 41 |
| Manufacturing | Industrial & Consumer Products | Wood Products | 22 |
| Manufacturing | Nonmetallic Mineral Product Manufacturing | Brick, Tile and Ceramic | 6 |
| Manufacturing | Nonmetallic Mineral Product Manufacturing | Cement | 50 |
| Manufacturing | Nonmetallic Mineral Product Manufacturing | Glass | 33 |
| Manufacturing | Plastics & Rubber | Plastics & Rubber | 20 |
| Manufacturing | Primary Metals | Iron and Steel | 25 |
| Manufacturing | Primary Metals | Other Metals | 17 |
| Manufacturing | Pulp & Paper | Pulp & Paper | 51 |
| Manufacturing | Textiles, Apparel & Leather | Apparel | 15 |
| Manufacturing | Textiles, Apparel & Leather | Leather and Allied Products | 1 |
| Manufacturing | Textiles, Apparel & Leather | Primary | 3 |
| Manufacturing | Textiles, Apparel & Leather | Textiles - Others | 6 |

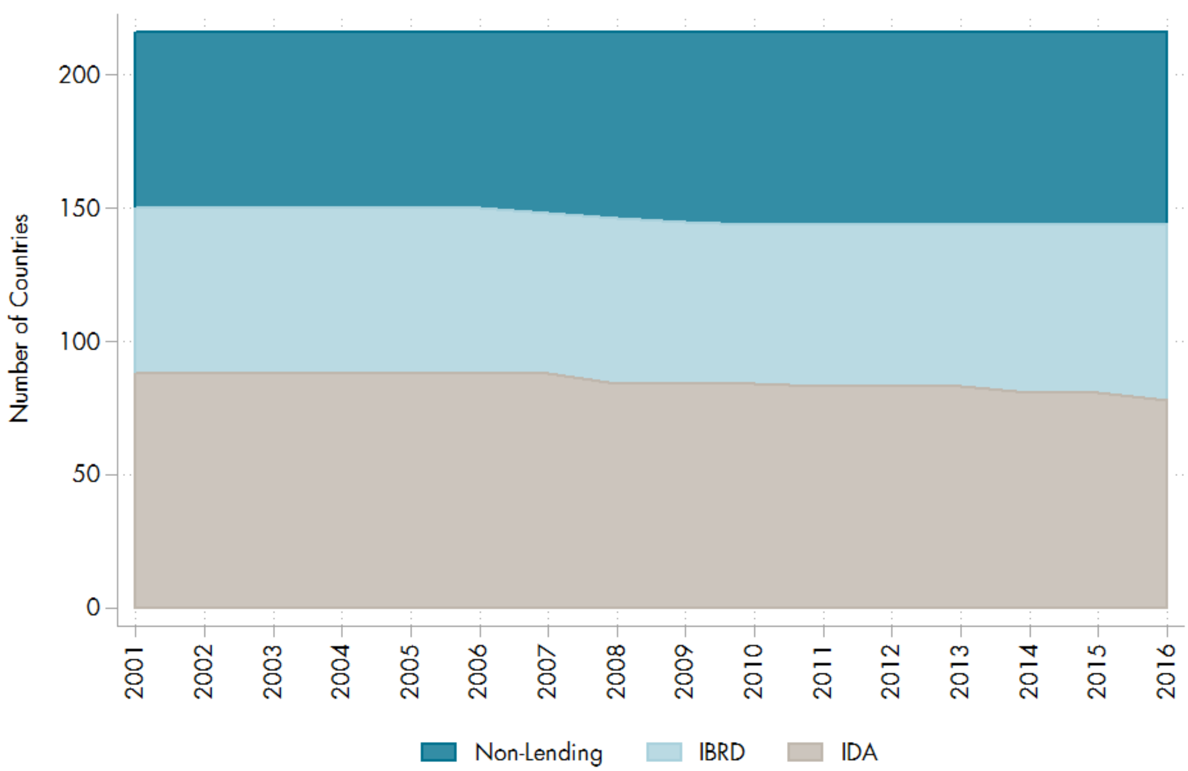
| | | | |
|---|---|---|---|
| Oil, Gas and Mining | Oil, Gas and Mining | Coal | 1 |
| Oil, Gas and Mining | Oil, Gas and Mining | Metal Ore Mining | 57 |
| Oil, Gas and Mining | Oil, Gas and Mining | Mining Services | 0 |
| Oil, Gas and Mining | Oil, Gas and Mining | Nonmetallic Mineral Mining and Quarrying | 15 |
| Oil, Gas and Mining | Oil, Gas and Mining | Oil and Gas | 97 |
| Oil, Gas and Mining | Oil, Gas and Mining | Oilfield Services | 9 |
| Other | n-Sector Specific Advisory Services | Non-Sector Specific Advisory Services | 0 |
| Other | Other (For Non-Investment Projects) | Other | 3 |
| Other | Professional, Scientific and Technical Services | Professional, Scientific and Technical Services | 20 |
| Other | Professional, Scientific and Technical Services | Software | 33 |
| Other | Public Administration | Municipal Entity | 0 |
| Other | Public Administration | National Government | 0 |
| Telecommunications, Media and Technology | Information | Internet Projects | 29 |
| Telecommunications, Media and Technology | Information | Printing & Publishing | 0 |
| Telecommunications, Media and Technology | Information | Telecommunications | 123 |
| Tourism, Retail and Property | Accommodation & Tourism Services | Accommodation & Tourism Services | 72 |
| Tourism, Retail and Property | Construction and Real Estate | Construction and Real Estate | 68 |
| Tourism, Retail and Property | Wholesale and Retail Trade | Retail | 57 |
| Tourism, Retail and Property | Wholesale and Retail Trade | Wholesale | 6 |

## Appendix 2: Historical World Bank Lending Categories

We classified projects based on World Bank lending categories of the country at the time of investment. To do this, we built a matrix of countries' categories by year between 2001 and 2016. We used the list of IDA graduation and re-graduation dates build a list of economies' lending status between 2001 and 2016.[23] As with the World Bank country income categories, the year in question is the year prior to the fiscal year determined; i.e. FY2017 lending categories correspond to 2016 actual years. Additionally, we were unable to determine historical classifications of Blend countries. Blend countries are categorized as IDA countries, as noted in the paper.

The number of IDA countries has decreased from 88 to 78 between 2001 and 2016, while the number of IBRD countries has increased from 62 to 66 and the number of non-lending countries has increased from 66 to 72. Countries that graduated from IDA to IBRD over this period are Albania, Angola, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, India, Indonesia, Macedonia, Montenegro, and Serbia. Additionality, Papua de New Guinea reverse graduated from IBRD status to IDA status. Countries that graduated out of IBRD into Non-Lending status over this period are Czech Republic, Estonia, Hungary, Lithuania, the Slovak Republic, and Slovenia.

**Figure 16: Countries by World Bank lending status**




[23] IDA 2016; World Bank, "How Does the World Bank Classify Countries?"

## Appendix 3: Historical Fragility Categories

We determined fragility based on the Fund for Peace's Fragile States Index (FSI), an annual reports coring countries' vulnerability to conflict or collapse. The FSI combines a range of data, including media analysis, quantitative data, and qualitative expert review to produce twelve indicators across range of topics: cohesions indicators (e.g. factionalized elites), economic indicators (e.g. uneven economic development), political indicators (e.g. state legitimacy), and social and cross-cutting indicators (e.g. refugees and IDPs). Countries are scored from 0 to 120, with 120 representing the most fragile and 0 representing the least fragile.

The scores are divided into twelve tiers, ranging from very sustainable to very high alert.[24] The twelve tiers fall into four brackets: alert (very high alert, high alert, or alert), stable (very stable, more stable, and stable), and sustainable (sustainable or very sustainable).

Since the publication of the FSI in 2006, the proportion of countries in each category has fluctuated but the overall proportion of countries in each category has remained relatively consistent. Notably, the percentage of alert-bracket (i.e. alert, high alert, and very high alert) countries has increased from 19 percent to 21 percent, and the percent of warning-bracket countries (i.e. warning, elevated warning, and high warning) countries has decreased from 53 percent to 49 percent. The percentage of countries in the very high alert tier has increased from 1 to 4 percent.

**Table 8: Fragile States Index categories by country**

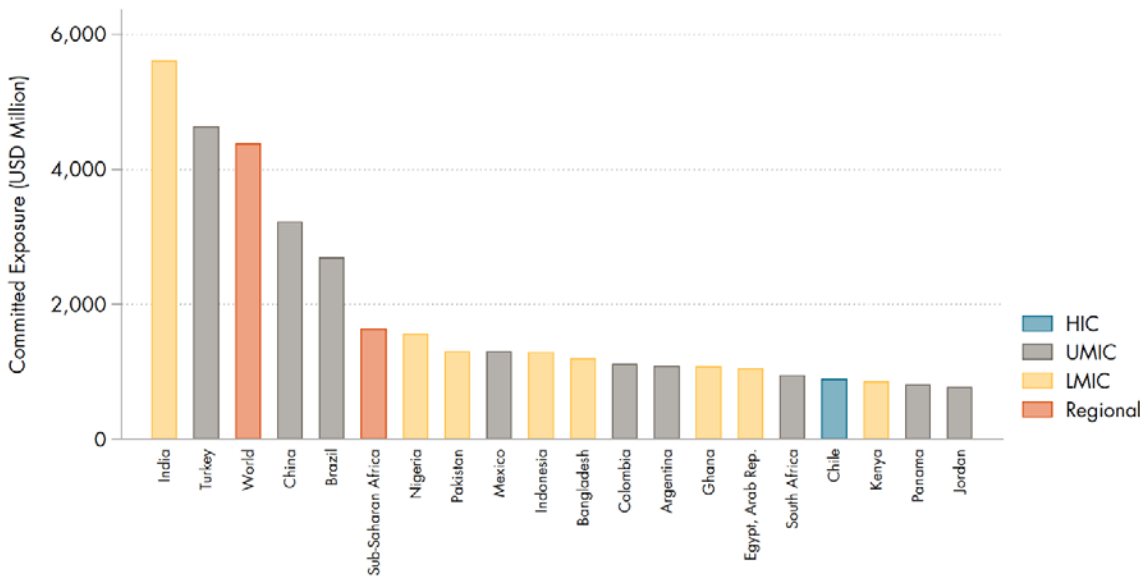
| Fragile States Index Tier | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Very Sustainable | 4% | 2% | 2% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Sustainable | 5% | 6% | 6% | 6% | 6% | 6% | 7% | 7% | 7% | 8% | 8% |
| Very Stable | 8% | 6% | 5% | 6% | 6% | 6% | 6% | 6% | 7% | 6% | 6% |
| More Stable | 8% | 6% | 7% | 7% | 7% | 9% | 9% | 8% | 8% | 8% | 8% |
| Stable | 3% | 7% | 8% | 6% | 7% | 8% | 7% | 7% | 7% | 7% | 7% |
| Warning | 9% | 9% | 10% | 13% | 12% | 9% | 9% | 10% | 9% | 10% | 10% |
| Elevated Warning | 19% | 24% | 23% | 18% | 19% | 19% | 23% | 21% | 25% | 25% | 23% |
| High Warning | 25% | 22% | 20% | 22% | 22% | 22% | 20% | 20% | 18% | 15% | 16% |
| Alert | 13% | 11% | 12% | 13% | 13% | 12% | 11% | 11% | 10% | 13% | 12% |
| High Alert | 5% | 5% | 5% | 6% | 6% | 6% | 7% | 7% | 6% | 6% | 5% |
| Very High Alert | 1% | 2% | 3% | 2% | 2% | 1% | 1% | 2% | 3% | 2% | 4% |

[24] The Fund for Peace (The Fund for Peace, 2017).

# Appendix 4: Analysis of 2017 Commitment Data

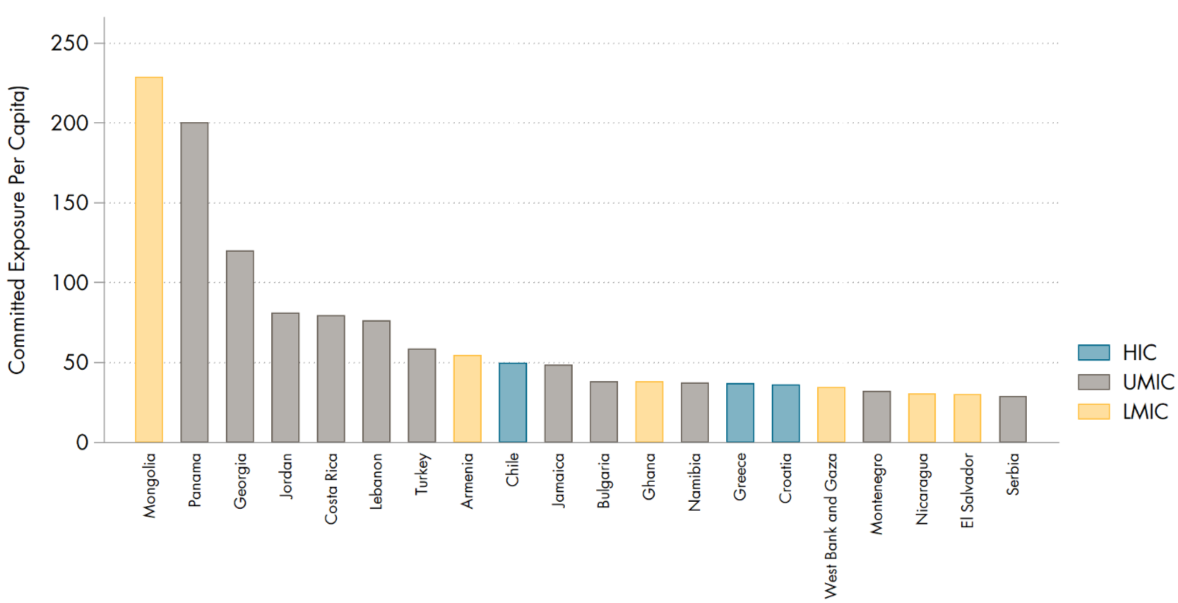
Trends from IFC's FY2017 committed portfolio largely mirror IFC's portfolio trends towards upper-middle income countries. The countries with the largest share of IFC's committed portfolio in FY2017 are India ($5.6 billion), Turkey ($4.6 billion), China ($3.2 billion), and Brazil ($2.7 billion).

**Top 20 countries by volume of IFC committed exposure**




Adjusting the committed portfolio for population, upper-middle income countries continue to account for the largest share of IFC's portfolio, including Panama, Georgia, and Jordan.

**Top 20 countries by volume per capita of IFC committed exposure**



By contrast, the IFC has limited exposure in a range of lower-income countries. The median IFC exposure in the 25 low-income countries where IFC works is $52 million, while the median exposure in lower-middle income countries is $173 million and the median exposure in upper-middle income countries is $158 million. There are no LICs where the IFC has a significant amount of exposure. The low-income country with the most exposure is Uganda, where the IFC has committed $229 million.

**Committed exposure**