Integrating lesson learned from 15 years of campaigning on financial intermediary lending at the International Finance Corporation

Financial intermediary lending has increased during the past 15 years to the point that it represents a significant proportion of some DFIs' total investment portfolio. IFC alone has over 60% of its entire portfolio invested in financial intermediaries. This escalating trend has been monitored by civil society, and over the last 15 years, organizations have been researching and advocating to make it more accountable, ensuring environmental and social standards are fully applied and communities are protected. Campaigners have called this hands-off form of lending 'outsourcing development', since the DFI delegates responsibility for assessing and managing social and environmental impacts of high-risk sub-projects - in sectors such as extractives, infrastructure, energy, agrobusiness among others - to FI clients, with often disastrous results. NGOs have linked financial intermediary investments to cases involving forced evictions and other human rights abuses, forest destruction, environmental pollution disasters and destructive coal mines and powerplants.

The global financial crisis of 2008 prompted this new trend of creating a larger role for the private sector in development finance including investing through financial intermediaries. DFIs channeled investments through private actors in order to stabilize the global economic and financial market and since then, financial intermediary lending has increased year on year. Such reallocation of resources from direct financing to indirect financing has taken place without adequate systemic and structural policies and practices needed to ensure effective transparency, accountability, and development impact as well as effective implementation of environmental and social standards.

CSOs have been calling attention to this issue and advocating for reforms for the last 15 years. Directing efforts towards the IFC in particular, NGOs have aimed to identify and challenge the systemic fault-lines that result in highly risky sub-projects, while trying to achieve redress for communities by supporting them in filing cases to the CAO.

As a result of this work, in recent years, the IFC has undertaken significant reforms to try to address some of these problems, including improving monitoring and supervision, changing risk definitions, 'ring-fencing' financial intermediary loans for targeted development purposes. In 2019 IFC developed a Green Equity Approach aimed at encouraging equity clients to phase out coal financing. And in early 2020 as part of IFC's General Capital Increase they have finally committed to disclose basic project information for their higher risk subproject in their financial intermediary portfolio, including moderate-risk projects targeting climate related investments of its financial intermediary clients.

IFC's Sustainability Framework represents a long due and critical time and space to reflect on the shortcomings of its indirect investments, what has failed, what has been achieved and how; and what remains to be done.

In the spirit of contributing and integrating lessons learned to the IFC's Sustainability Framework review process, discussion, and dialogue over IFC's indirect investments, we would like to share the following chronology of research and reports done by a variety of CSOs around the world, focusing on the issue of financial intermediary and other indirect investment lending:

- Out of Sight, Out of Mind (2010) Bretton woods Project and Ulu Foundation. This paper analyses IFC lending through financial intermediaries, and finds a number of causes for concern, including a worrying lack of transparency, inadequate attention to social and environmental concerns, and a failure to link directly to proven developmental impacts. It sets out recommendations for a complete reformulation of IFC's approach.
- Land and Power (2011) Oxfam: includes two FI cases in Uganda, further discussed in the case study: The New Forests Company and its Uganda Plantations (2011)
- Risky Business (2012): Oxfam Highlights the risks with Financial Intermediaries (FIs) lending for communities, and the increasing trends of DFIs lending through FIs.
- Cashing in on Climate Change (2012) Eurodad
- Follow the Money (2014) Bretton Woods Project
- Down the Rabbit Hole (2014) Program for Social Action, India
- Rubber Barons (2014): Global Witness report on a case in Cambodia that led to a CAO case filed by Equitable Cambodia, Highlanders Association and IDI
- The Suffering of Others Oxfam with 11 other partners (2015): Research and evidence linking IFC through commercial banks to damaging projects where thousands of people were displaced from their homes and lands and have their livelihoods devastated
- Owning the Outcomes Oxfam with IDI (2016): Challenged the main assumptions and arguments that IFC put forward to avoid responsibility for these risks.
- Outsourcing Development: Lifting the Veil on the World Bank Group's Lending through Financial Intermediaries (2016) Introduction to the Outsourcing Development series of exposés.
- "Disaster for Us and the Planet": How the IFC Is Quietly Funding a Coal Boom (2016) Exposé of IFC links to the Asian coal boom via financial intermediaries.
- Bankrolling India's Dirty Dozen (2016) Exposé of IFC links to 12 of India's most irresponsible companies and gross human rights and environmental violations via its investments in Indian banks.
- Reckless Development: The IFC's Dodgy Deals in Southeast Asia (2017) Exposé of IFC links to numerous dodgy deals in Southeast Asia via FIs, highlighting the Ban Chang coal mine in Myanamar.
- Unjust Enrichment: How the IFC Profits from Land Grabbing in Africa (2017) Exposé of IFC links to land grabs across Afica via FIs, highlighting the Siguri gold mine in Guinea.
- Time to Come Clean: How the World Bank Group and International Investors Can Stop the World's Most Dangerous Coal Plant (2017) Exposé of IFC links to the Rampal coal plant in Bangladesh via FIs.
- Broken Promises: The World Bank, International Investors and the Fight for Climate Justice in the Philippines (2018) Building on "Disaster for Us and the Planet" this piece delves into IFC's exposure to 20 new coal plants in the Philippines.

- Coming out of the Dark, BIC Europe and SOMO (2018), looking at whether the IFC is reducing fossil fuel support through FIs
- Open Books (2018): Oxfam: Shows what policies and initiatives exist among DFIs and the banking sector to promote disclosure of project information and proposes a framework to improve them.
- Digging Deeper: Can the IFC's Green Equity Strategy Help End Indonesia's Dirty Coal Mines? (2019) Profiles the Kalti Prima Coal mine in Indonesia along with IFC intermediary links to other major players in Indonesia's coal mining industry, and analyses the proposed Green Equity Strategy through this lense.
- IDI Database of Harmful IFC Sub-Investments: Database of over 160 harmful projects that IFC is exposed to through its FI portfolio.
- Coming Clean: Can the IFC help to end coal finance? (2020) Recourse reviews IFC's Green Equity Approach.
- High Risk Financial Intermediary Investments database (2021) accessible information on the high-risk sub-projects of 318 financial intermediary investments made by IFC and FMO which impact people and the environment in at least 76 countries. The data includes financial intermediary investments from 2017 through 2020. Medium blog about the database.
- Closing loopholes: How the IFC can help stop fossil finance (2021) Recourse
- Is the IFC's Green Equity Approach working in practice? (2021) Recourse
- Putting People and Planet at the heart of Green Equity (2021) Recourse, HBF, CFA, Trend Asia and BankTrack look at the growing trend of public finance into 'green' equity.
- IFC and Federal Bank case study (2021) CFA and Recourse examine the background to IFC and Federal Bank's relationship resulting in a commitment from Federal Bank not to fund any new coal projects.
- Closing loopholes: How the IFC can help end fossil fuel finance (2021) Recourse and Trend Asia examine loopholes in the IFC's Green Equity Approach.
- 10 essentials for a 'truly green' Green Equity Approach (2022) Recourse, CFA, Trend Asia, CIEL, HBS Washington DC, FoE US, Oil Change International, IDI, BWP and Gender Action call on IFC to make urgent reforms to its green equity approach.
- Paris aligned? The International Finance Corporation's financial intermediary investments, fossil fuels and the climate crisis (2023) Recourse
- Slipping through the net: Paris alignment and the missed opportunity for MDBs to stop funding fossil fuels (2023) Identifies the various ways funds can still support fossil fuel projects despite the Paris alignment methodology for indirect finance.
- Blowing Smoke: How coal finance is flowing through the IFC's Paris alignment loopholes (2023)
- Paris aligned? The IFC's financial intermediary investments, fossil fuels and the climate crisis (2023) How finance is still leaking to fossil fuels through FI investments, and what's needed for IFC to be truly Paris aligned.
- Request for MIGA to Adhere to its Policies and other Legal Obligations Applicable to Climate Change. Financial Intermediary data and analysis (2024) Bank Climate Advocates and others.
- Financial intermediaries: A new safeguard needed for the World Bank Group's riskiest investments (2025) Recourse

On Trade Finance:

- Is the World Bank giving billions of trade finance to fossil fuels? (2023) Urgewald
- Trading with Our Future: IFC Trade Finance Commitments for Fossil Fuels (2024) Urgewald
- Unequal Support: Rethinking the IFC's Trade Finance Priorities (2025) Urgewald