

# GCF-IFC Scaling Resilient Water Infrastructure Facility

## E&S Management Framework<sup>1</sup>

March 2024

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<sup>1</sup> Disclaimer: The text related to IFC's Sustainability Framework and other relevant documents mentioned in this ESMF are taken from publicly available sources published by IFC. The complete set of these documents can be found here [Policies and Standards \(ifc.org\)](https://www.ifc.org/policies-and-standards). The English version of the Facility's E&S Management Framework shall prevail over the other translated versions in case of doubt in its understanding. This document is intended for the sole purpose of providing information to GCF. Please note that this is a summary only and is subject to the complete text of the referenced policies and procedures. Finally, as policies and procedures are subject to periodical updating, this document reflects policies and procedures at the time of writing.

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## I. INTRODUCTION

The present document describes the Environmental and Social (E&S) Management Framework (ESMF) that will be followed under the GCF-IFC Scaling Resilient Water Infrastructure Facility (the Facility). The ESMF provides an overview of the key aspects of IFC's Sustainability Framework, existing environmental and social management policies and procedures that will guide the project level due diligence, the identification of environmental and social risks and impacts, assessment for any potential gaps in accordance with IFC's Performance Standards (PSs), and monitoring and supervision of projects implemented by each project level entity that benefit from the proceeds of the Facility.

### A. Facility Overview

The Facility is a programmatic approach to developing Resilient Water Infrastructure (RWI) to address water scarcity, enhance the resilience of water infrastructure to climate change impacts and reduce GHG emissions. This approach will support projects to turn water and sanitation infrastructure into a valuable new asset class towards climate impact. The objective is to scale up cost-competitive and sustainable public and private investments in RWI projects, aligned with the adaptation and mitigation plans of the target countries and actively contributing to the UN SDGs 3, 6, 7, 13, 14 and 17. Investing in RWI will provide the opportunity to demonstrate the viability of new business models attracting private capital with high scalability and replication potential.

The target countries for the Facility are Azerbaijan, Chile, Cote D'Ivoire, Egypt, Gabon, India, Indonesia, Morocco, Pakistan, Peru, Tunisia, and Uzbekistan.

The program's activities will be under two components:

- 1. Public Private Partnerships (PPP) Structuring Facility:** The facility is a grant that will support project preparation and definition activities, transaction advisory activities and to facilitate knowledge transfer, sharing insights, best practices, and lessons learned. This will enable systematic project preparation and advisory support, helping bring more projects to the market with private sector participation. It will assist in addressing key barriers such as lack of public funding for project preparation and inadequate capacity to plan and prepare large-scale water projects.
- 2. Concessional Finance Facility:** This facility is a loan which could be deployed to the public and private sector entities for eligible water projects and will help to close critical viability gaps and other related challenges.

The type of projects to be supported by the Facility will include:

- 1. Conventional water resources:** Bulk water supply, pumping station, conveyance pipe, water treatment plant, distribution systems, etc.

2. **Wastewater treatment:** Construction/rehabilitation of sewage networks, wastewater treatment plant, etc.
3. **Unconventional water resources:** wastewater reuse, desalination, etc.
4. **Non-revenue water (NRW) reduction:** Projects related to reduction of physical and commercial losses.

## II. E&S RISK MANAGEMENT APPROACH UNDER THE FACILITY

The ESMF shall be composed of IFC's Sustainability Framework which consists of (a) the Policy on Environmental and Social Sustainability, (b) the Eight Performance Standards, (c) the Access to Information Policy (AIP); related Guidance Notes, Good Practice Notes and other materials prepared by IFC to assist its clients in relation to its E&S policies; the World Bank Group (WBG) Environmental, Health and Safety (EHS) Guidelines; the CAO Policy; and other relevant documents (see Annex 1).

The objective of the ESMF is to assess and mitigate environmental and social risks and impacts arising from projects to be funded by the Facility.

IFC's Sustainability Framework articulates the Corporation's strategic commitment to sustainable development and is an integral part of IFC's approach to risk management. The Sustainability Framework comprises IFC's Policy and Performance Standards on Environmental and Social Sustainability, and IFC's Access to Information Policy. The Policy on Environmental and Social Sustainability describes IFC's commitments, roles, and responsibilities related to environmental and social sustainability. IFC's Access to Information Policy reflects IFC's commitment to transparency and good governance on its operations and outlines the Corporation's institutional disclosure obligations regarding its investment and advisory services. The Performance Standards are directed towards clients, providing guidance on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement and disclosure obligations of the client in relation to project-level activities. IFC uses the Sustainability Framework along with other strategies, policies, and initiatives to direct the business activities of the Corporation in order to achieve its overall development objectives.<sup>2</sup>

Specifically, the Performance Standards help IFC investment and advisory clients manage and improve their environmental and social performance through a risk and outcomes-based approach. The desired outcomes are described in the objectives of each Performance Standard, followed by specific requirements to help clients achieve these outcomes through means that are appropriate to the nature and scale of the activity and commensurate with the level of environmental and social risks and/or impacts. Central to these requirements is the application of a mitigation hierarchy to anticipate and avoid adverse impacts on workers, communities, and the environment, or where avoidance is not possible, to minimize, and where residual impacts remain, compensate/offset for the risks and impacts, as appropriate.<sup>3</sup> Within the scope of an agreed advisory activity, all advice and training will be consistent with the Performance Standards.

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<sup>2</sup> [IFC sustainability framework \(worldbank.org\)](https://www.ifc.org/en/insights-reports/2012/publications-policy-sustainability-2012)

<sup>3</sup> <https://www.ifc.org/en/insights-reports/2012/publications-policy-sustainability-2012>

While this document provides summaries of different segments of the ESMF, reference must be made to the full text of its constituent parts, and related documents to determine the complete policies and standards applicable to IFC projects. Please refer to these at [Policies and Standards \(ifc.org\)](https://www.ifc.org/policies-and-standards)

Further, as this is a multi-country, multi-year program, specific environmental and social risks and impacts will only be known once projects are selected under each component. However, IFC has in place a detailed and robust E&S due diligence and supervision procedures that will be applied for assessing project specific environmental and social risks and impacts and relevant mitigation measures including considering gender differences around risks, impact and mitigation. Project level environmental and social risks and impacts will be identified during the due diligence phase and monitored during the life of the investment.

#### A. IFC's Policy on Environmental and Social Sustainability<sup>4</sup>

Describes IFC's sustainability commitments, roles and responsibilities, collaboration with partners and specific initiatives on governance and disclosure.

In addition to this Policy, IFC refers to other materials to assist its staff and clients, including:

- IFC's Access to Information Policy, which details IFC's institutional requirements for disclosure of information<sup>5</sup>;
- IFC's Performance Standards<sup>6</sup>;
- IFC's Performance Standards' Guidance Notes<sup>7</sup>, which are accompanying documents to the Performance Standards that offer helpful guidance on the requirements contained in the Performance Standards (including reference materials) as well as good sustainability practices to improve business performance and development outcomes;
- The World Bank Group's Environmental, Health and Safety Guidelines on sector and industry practices and performance levels consistent with the Performance Standards<sup>8</sup>; and
- Good practice notes, handbooks, and other materials that provide examples of GIIP and reference information about these practices.

#### B. IFC Performance Standards (2012)

These Performance Standards help IFC investment and advisory clients manage and improve their environmental and social performance through a risk and outcomes-based approach. The desired outcomes are described in the objectives of each Performance Standard, followed by specific requirements to help clients achieve these outcomes through means that are appropriate to the nature and scale of the activity and commensurate with the level of environmental and social risks and/or

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<sup>4</sup> <https://www.ifc.org/en/insights-reports/2012/publications-policy-sustainability-2012>

<sup>5</sup> <https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-access-to-information-policy-en.pdf>

<sup>6</sup> <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards>

<sup>7</sup> <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards>

<sup>8</sup> <https://www.ifc.org/en/insights-reports/2000/general-environmental-health-and-safety-guidelines>

impacts. Central to these requirements is the application of a mitigation hierarchy to anticipate and avoid adverse impacts on workers, communities, and the environment, or where avoidance is not possible, to minimize, and where residual impacts remain, compensate/offset for the risks and impacts, as appropriate. IFC believes that the Performance Standards also provide a solid base on which clients may increase the overall sustainability of their operations, identify new opportunities to grow their business, and build their competitive advantage in the marketplace. While managing environmental and social risks and impacts in a manner consistent with the Performance Standards is the responsibility of the client, IFC seeks to ensure, through its due diligence, monitoring, and supervision efforts, that the business activities it finances are implemented in accordance with the requirements of the Performance Standards. As a result, the outcome of IFC's environmental and social due diligence of a proposed business activity is an important factor in its approval process and will determine the scope of the environmental and social conditions of IFC financing. By adhering to this Policy, IFC seeks to (i) enhance the predictability, transparency, and accountability of its actions and decision making; (ii) help clients manage their environmental and social risks and impacts and improve their performance; and (iii) enhance positive development outcomes on the ground.<sup>9</sup>

Together, the eight Performance Standards establish standards that the client is to meet throughout the life of an investment by IFC:

## **1. Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts**

**Performance Standard 1** applies to all projects that have environmental and social risks and impacts. Depending on project circumstances, other Performance Standards may apply as well. The Performance Standards should be read together and cross-referenced as needed. The requirements section of each Performance Standard applies to all activities financed under the project, unless otherwise noted in the specific limitations described in each paragraph. Clients are encouraged to apply the ESMS developed under Performance Standard 1 to all their project activities, regardless of financing source. A number of cross-cutting topics such as climate change, gender, human rights, and water, are addressed across multiple Performance Standards.

Performance Standard 1 establishes the importance of (i) integrated assessment to identify the environmental and social impacts, risks, and opportunities of projects; (ii) effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them; and (iii) the client's management of environmental and social performance throughout the life of the project. Performance Standard 1 applies to all projects that have environmental and social risks and impacts. Depending on project circumstances, other Performance Standards may apply as well. In addition to meeting the requirements under the Performance Standards, clients must comply with applicable national law, including those laws implementing host country obligations under international law.

Performance Standard 1 underscores the importance of managing environmental and social performance throughout the life of a project. An effective Environmental and Social Management System (ESMS) is a dynamic and continuous process initiated and supported by management, and involves engagement between the client, its workers, local communities directly affected by the project (the Affected

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<sup>9</sup> IFC Sustainability Policy (2012)

Communities) and, where appropriate, other stakeholders. Drawing on the elements of the established business management process of “plan, do, check, and act,” the ESMS entails a methodological approach to managing environmental and social risks and impacts in a structured way on an ongoing basis. A good ESMS appropriate to the nature and scale of the project promotes sound and sustainable environmental and social performance, and can lead to improved financial, social, and environmental outcomes.

The objectives of PS 1 are: (i) to identify and evaluate environmental and social risks and impacts of the project; (ii) to adopt a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimize, and, where residual impacts remain, compensate/offset for risks and impacts to workers, Affected Communities, and the environment; (iii) to promote improved environmental and social performance of clients through the effective use of management systems; (iv) to ensure that grievances from Affected Communities and external communications from other stakeholders are responded to and managed appropriately; (v) to promote and provide means for adequate engagement with Affected Communities throughout the project cycle on issues that could potentially affect them and to ensure that relevant environmental and social information is disclosed and disseminated.

The client will establish an overarching policy defining the environmental and social objectives and principles that guide the project to achieve sound environmental and social performance. The policy provides a framework for the environmental and social assessment and management process, and specifies that the project (or business activities, as appropriate) will comply with the applicable laws and regulations of the jurisdictions in which it is being undertaken, including those laws implementing host country obligations under international law.

*a) Project-Level Stakeholder Engagement<sup>10</sup>*

Stakeholders are persons or groups who are directly or indirectly affected by a project, as well as those who may have interests in a project and/or the ability to influence its outcome, either positively or negatively. Stakeholders may include locally affected communities or individuals and their formal and informal representatives, national or local government authorities, politicians, religious leaders, civil society organizations and groups with special interests, the academic community, or other businesses.

The “stake” that each of these different individuals or groups has in a project or investment will vary. For example, there may be people directly affected by the potential environmental or social impacts of a project. Others may be resident in another country altogether, but wish to communicate their concerns or suggestions to the project company. Then there are those who might have great influence over the project, such as government regulators, political or religious leaders, and others active in the local community. There are also stakeholders who, because of their knowledge or stature, can contribute positively to the project, for example, by acting as an honest broker in mediating relationships.

Stakeholder engagement is an umbrella term encompassing a range of activities and interactions over the life of a project. These can be divided into eight components:

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<sup>10</sup> For details refer to Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets available at <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-stakeholderengagement1.pdf>

- Stakeholder Identification and Analysis
- Information Disclosure
- Stakeholder Consultation
- Negotiation and Partnerships
- Grievance Management
- Stakeholder Involvement in Project Monitoring
- Reporting to Stakeholders
- Management Functions

*b) Project-Level Grievance Mechanism<sup>11</sup>*

Grievance mechanisms are an important part of IFC’s approach to requirements related to community engagement by clients under the Policy and Performance Standards on Social and Environmental Sustainability. Where it is anticipated that a new project or existing company operations will involve ongoing risk and adverse impacts on surrounding communities, the client will be required to establish a grievance mechanism to receive and facilitate resolution of the affected communities’ concerns and complaints about the client’s environmental and social performance. The grievance mechanism should be scaled to risks and adverse impacts of the project, address concerns promptly, use an understandable and transparent process that is culturally appropriate and readily accessible to all segments of the affected communities, and do so at no cost to communities and without retribution. The mechanism should not impede access to judicial and administrative remedies. The client will inform the affected communities about the mechanism in the course of its community engagement process (PS 1, Paragraph 23).

A grievance mechanism should be able to deal with most of the community issues that are covered by IFC’s Performance Standards. Grievance mechanism requirements in relation to affected communities are explicitly stated with regard to security personnel (PS 4, Paragraph 13), land acquisition (PS5, Paragraph 10), and adverse impacts on indigenous peoples (PS 7, Paragraph 9). Additional guidance is provided in the corresponding Guidance Notes. IFC client companies will be asked to design the mechanism according to the extent of risks and adverse impacts of the project. Impacts on communities are evaluated within the Social and Environmental Assessment for a project.

Based on the results of this assessment, IFC’s project sponsors may be required to develop or improve their social and environmental management and community engagement, and to include appropriate steps in their action plans. However, all issues arising over the life of a project cannot be anticipated and preempted during the assessment process. While an upfront comprehensive social and environmental assessment can serve to reduce the likelihood and volume of grievances in the future, the need for a mechanism to address community grievances will always exist. IFC views grievance management as one of the pillars of stakeholder engagement for all clients. Grievance mechanisms inform and complement but do not replace other forms of stakeholder engagement. Stakeholder engagement also includes stakeholder identification and analysis, information disclosure, stakeholder consultation, negotiations and partnerships, stakeholder involvement in project monitoring and reporting to stakeholders.

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<sup>11</sup> For details refer to Good Practice Note on Addressing Grievances from Project-Affected Communities available at <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-grievance-mechanisms.pdf>.



The complete text of Performance Standard 1 and its related implementation resources may be accessed through the following link: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-1>

## **2. Performance Standard 2: Labor and Working Conditions**

**Performance Standard 2** recognizes that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental rights of workers. For any business, the workforce is a valuable asset, and a sound worker-management relationship is a key ingredient in the sustainability of a company. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention, and can jeopardize a project. Conversely, through a constructive worker-management relationship, and by treating the workers fairly and providing them with safe and healthy working conditions, clients may create tangible benefits, such as enhancement of the efficiency and productivity of their operations. The requirements set out in this Performance Standard have been in part guided by a number of international conventions and instruments, including those of the International Labour Organization (ILO) and the United Nations (UN). The objectives of PS 2 is to: (i) to promote the fair treatment, non-discrimination, and equal opportunity of workers; (ii) to establish, maintain, and improve the worker-management relationship; (iii) to promote compliance with national employment and labor laws; (iv) to protect workers, including vulnerable categories of workers such as children, migrant workers, workers engaged by third parties, and workers in the client's supply chain; (v) to promote safe and healthy working conditions, and the health of workers; and (vi) to avoid the use of forced labor.

The complete text of Performance Standard 2 and its related implementation resources may be accessed through the following link: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-2>

## **3. Performance Standard 3: Resource Efficiency and Pollution Prevention**

**Performance Standard 3** recognizes that increased economic activity and urbanization often generate increased levels of pollution to air, water, and land, and consume finite resources in a manner that may threaten people and the environment at the local, regional, and global levels. There is also a growing global consensus that the current and projected atmospheric concentration of greenhouse gases (GHG) threatens the public health and welfare of current and future generations. At the same time, more efficient and effective resource use and pollution prevention and GHG emission avoidance and mitigation technologies and practices have become more accessible and achievable in virtually all parts of the world. These are often implemented through continuous improvement methodologies similar to those used to enhance quality or productivity, which are generally well known to most industrial, agricultural, and service sector companies. This Performance Standard outlines a project-level approach to resource efficiency and pollution prevention and control in line with internationally disseminated technologies and practices. In addition, this Performance Standard promotes the ability of private sector companies to adopt such technologies and practices as far as their use is feasible in the context of a project that relies on commercially available skills and resources.

Objectives of PS 3 are: (i) to avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities. (ii) to promote more sustainable use of resources, including energy and water. (iii) to reduce project-related GHG emissions.

The complete text of Performance Standard 3 and its related implementation resources may be accessed through the following link: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-3>

#### **4. Performance Standard 4: Community Health, Safety, and Security**

**Performance Standard 4** recognizes that project activities, equipment, and infrastructure can increase community exposure to risks and impacts. In addition, communities that are already subjected to impacts from climate change may also experience an acceleration and/or intensification of impacts due to project activities. While acknowledging the public authorities' role in promoting the health, safety, and security of the public, this Performance Standard addresses the client's responsibility to avoid or minimize the risks and impacts to community health, safety, and security that may arise from project related-activities, with particular attention to vulnerable groups.

In conflict and post-conflict areas, the level of risks and impacts described in this Performance Standard may be greater. The risks that a project could exacerbate an already sensitive local situation and stress scarce local resources should not be overlooked as it may lead to further conflict.

Objectives of PS 4 are: (i) to anticipate and avoid adverse impacts on the health and safety of the Affected Community during the project life from both routine and non-routine circumstances. (ii) to ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to the Affected Communities.

The complete text of Performance Standard 4 and its related implementation resources may be accessed through the following link: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-4>

#### **5. Performance Standard 5: Land Acquisition and Involuntary Resettlement**

**Performance Standard 5** recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land. Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood) as a result of project-related land acquisition and/or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in physical or economic displacement. This occurs in cases of (i) lawful expropriation or temporary or permanent restrictions on land use and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for the Affected Communities and persons, as well as environmental damage and adverse socio-economic impacts in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided. However, where involuntary resettlement is unavoidable, it should be minimized and appropriate measures to mitigate adverse impacts on displaced persons and host communities should be

carefully planned and implemented. The government often plays a central role in the land acquisition and resettlement process, including the determination of compensation, and is therefore an important third party in many situations. Experience demonstrates that the direct involvement of the client in resettlement activities can result in more cost-effective, efficient, and timely implementation of those activities, as well as in the introduction of innovative approaches to improving the livelihoods of those affected by resettlement.

To help avoid expropriation and eliminate the need to use governmental authority to enforce relocation, clients are encouraged to use negotiated settlements meeting the requirements of this Performance Standard, even if they have the legal means to acquire land without the seller's consent.

Objectives of PS 5 are: (i) to avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs. (ii) to avoid forced eviction. (iii) To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by (i) providing compensation for loss of assets at replacement cost and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected. (iv) To improve, or restore, the livelihoods and standards of living of displaced persons. (v) To improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure at resettlement sites.

#### *a) Resettlement Framework*

Where the exact nature or magnitude of the land acquisition or restrictions on land use related to a project with potential to cause physical and/or economic displacement is unknown due to the stage of project development, the client will develop a Resettlement and/or Livelihood Restoration Framework outlining general principles compatible with this Performance Standard. Once the individual project components are defined and the necessary information becomes available, such a framework will be expanded into a specific Resettlement Action Plan or Livelihood Restoration Plan and procedures in accordance with paragraphs 19 and 25 of PS5.

The complete text of Performance Standard 5 and its related implementation resources may be accessed through the following link: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-5>

See detailed guidance at:

- IFC (2023) Good Practice Handbook – Land Acquisition and Involuntary Resettlement - <https://www.ifc.org/content/dam/ifc/doc/2023/ifc-handbook-for-land-acquisition-and-involuntary-resettlement.pdf>
- IFC (2012) Guidance Note for Performance Standard 5 [2012-ifc-ps-guidance-note-5-en.pdf](#)

## **6. Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources**

**Performance Standard 6** recognizes that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development. The requirements set out in this Performance Standard have been guided by the Convention on Biological

Diversity, which defines biodiversity as “the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems.” Ecosystem services are the benefits that people, including businesses, derive from ecosystems. Ecosystem services are organized into four types: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain the other services.

Ecosystem services valued by humans are often underpinned by biodiversity. Impacts on biodiversity can therefore often adversely affect the delivery of ecosystem services. This Performance Standard addresses how clients can sustainably manage and mitigate impacts on biodiversity and ecosystem services throughout the project’s lifecycle.

Objectives of PS 6 include: (i) To protect and conserve biodiversity. (ii) To maintain the benefits from ecosystem services. (iii) To promote the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities.

The complete text of Performance Standard 6 and its related implementation resources may be accessed through the following link: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-6>

## **7. Performance Standard 7: Indigenous Peoples**

**Performance Standard 7** recognizes that Indigenous Peoples, as social groups with identities that are distinct from mainstream groups in national societies, are often among the most marginalized and vulnerable segments of the population. In many cases, their economic, social, and legal status limits their capacity to defend their rights to, and interests in, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development. Indigenous Peoples are particularly vulnerable if their lands and resources are transformed, encroached upon, or significantly degraded. Their languages, cultures, religions, spiritual beliefs, and institutions may also come under threat. As a consequence, Indigenous Peoples may be more vulnerable to the adverse impacts associated with project development than non-indigenous communities. This vulnerability may include loss of identity, culture, and natural resource-based livelihoods, as well as exposure to impoverishment and diseases.

Private sector projects can create opportunities for Indigenous Peoples to participate in, and benefit from project-related activities that may help them fulfill their aspiration for economic and social development. Furthermore, Indigenous Peoples may play a role in sustainable development by promoting and managing activities and enterprises as partners in development. Government often plays a central role in the management of Indigenous Peoples’ issues, and clients should collaborate with the responsible authorities in managing the risks and impacts of their activities.

Objectives of PS 7 include: (i) To ensure that the development process fosters full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples. (ii) To anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts. (iii) To promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner. (iv) To

establish and maintain an ongoing relationship based on Informed Consultation and Participation (ICP) with the Indigenous Peoples affected by a project throughout the project's life-cycle. (v) To ensure the Free, Prior, and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples when the circumstances described in this Performance Standard are present. (vi) To respect and preserve the culture, knowledge, and practices of Indigenous Peoples.

a) *Indigenous Peoples Framework*

The client will identify, through an environmental and social risks and impacts assessment process, all communities of Indigenous Peoples within the project area of influence who may be affected by the project, as well as the nature and degree of the expected direct and indirect economic, social, cultural (including cultural heritage), and environmental impacts on them.

Adverse impacts on Affected Communities of Indigenous Peoples should be avoided where possible. Where alternatives have been explored and adverse impacts are unavoidable, the client will minimize, restore, and/or compensate for these impacts in a culturally appropriate manner commensurate with the nature and scale of such impacts and the vulnerability of the Affected Communities of Indigenous Peoples. The client's proposed actions will be developed with the informed consultation and participation of the Affected Communities of Indigenous Peoples and contained in a time-bound plan, such as an Indigenous Peoples Plan, or a broader community development plan with separate components for Indigenous Peoples.<sup>12</sup>

The complete text of Performance Standard 7 and its related implementation resources may be accessed through the following link: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-7>

See detailed guidance at:

- IFC (2012) Guidance Note for Performance Standard 7, including Annex A – Indigenous Peoples Plan [2012-ifc-ps-guidance-note-7-en.pdf](#)

**NOTE:** In the context of the RWI Facility, IFC will contractually require that the borrowers under RWI Facility projects comply with the requirements of the IFC's policies and procedures on indigenous peoples in a manner that enables the Borrowers as Executing Entities for RWI Facility projects to comply with the requirements of the GCF Indigenous Peoples Policy (IPP)<sup>13</sup>, monitor such compliance, and take reasonable action in accordance with the AMA if the Borrowers fail to comply.

## 8. Performance Standard 8: Cultural Heritage

**Performance Standard 8** recognizes the importance of cultural heritage for current and future generations. Consistent with the Convention Concerning the Protection of the World Cultural and Natural Heritage, this Performance Standard aims to ensure that clients protect cultural heritage in the course of their project activities. In addition, the requirements of this Performance Standard on a project's use of

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<sup>12</sup>The determination of the appropriate plan may require the input of competent professionals. A community development plan may be appropriate in circumstances where Indigenous Peoples are a part of larger Affected Communities.

<sup>13</sup> See [Indigenous Peoples policy | Green Climate Fund](#)

cultural heritage are based in part on standards set by the Convention on Biological Diversity. Objectives of PS 8 include: (i) To protect cultural heritage from the adverse impacts of project activities and support its preservation. (ii) To promote the equitable sharing of benefits from the use of cultural heritage.

The complete text of Performance Standard 8 and its related implementation resources may be accessed through the following link: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-8>

### III. Guidance Notes to the IFC Performance Standards

IFC has prepared a set of Guidance Notes, corresponding to the Performance Standards on Environmental and Social Sustainability. These Guidance Notes offer helpful guidance on the requirements contained in the Performance Standards, including reference materials, and on good sustainability practices to improve project performance. These Guidance Notes are not intended to establish policy by themselves; instead, they explain the requirements in the Performance Standards.

IFC expects that each client will employ methods best suited to its business to meet the requirements of the Performance Standards. In assisting the client to meet the Performance Standards, IFC will take into account variables such as host country context, the scale and complexity of project impacts, and the associated cost-benefit considerations, as well as those of project performance beyond the level required in the Performance Standards. The Guidance Notes provide helpful advice, but do not substitute for the sound judgment and discretion used by clients and IFC staff to make project decisions consistent with the Performance Standards.

The complete text of each Guidance Note relevant to a Performance Standard may be accessed through the link to the related implementation resources provided for each Performance Standard discussed in the preceding sections.

### IV. WBG EHS Guidelines<sup>14</sup>

The Environmental, Health, and Safety (EHS) Guidelines are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP) and are referred to in the World Bank's Environmental and Social Framework and in IFC's Performance Standards.

The EHS Guidelines contain the performance levels and measures that are normally acceptable to the World Bank Group, and that are generally considered to be achievable in new facilities at reasonable costs by existing technology. The World Bank Group requires borrowers/clients to apply the relevant levels or measures of the EHS Guidelines. When host country regulations differ from the levels and measures presented in the EHS Guidelines, projects will be required to achieve whichever is more stringent.

The complete text of the General EHS Guidelines as well as links to the relevant portals for specific Industry Sector Guidelines may be accessed through the following link: <https://www.ifc.org/en/insights-reports/2000/general-environmental-health-and-safety-guidelines>

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<sup>14</sup> [World Bank Group Environmental, Health, and Safety Guidelines \(ifc.org\)](https://www.ifc.org/en/insights-reports/2000/general-environmental-health-and-safety-guidelines)

## A. General EHS Guidelines

The General EHS Guidelines contain information on cross-cutting environmental, health, and safety issues potentially applicable to all industry sectors. This document should be used together with the relevant Industry Sector Guideline(s).

## B. Environmental, Health, and Safety Guidelines for Water and Sanitation (2007)<sup>15</sup>

The EHS Guidelines for Water and Sanitation include information relevant to the operation and maintenance of (i) potable water treatment and distribution systems, and (ii) collection of sewage in centralized systems (such as piped sewer collection networks) or decentralized systems (such as septic tanks subsequently serviced by pump trucks) and treatment of collected sewage at centralized facilities.

Environmental issues associated with water and sanitation projects may principally occur during the construction and operational phases, depending on project-specific characteristics and components. Recommendations for the management of EHS issues associated with construction activities as would typically apply to the construction of civil works are provided in the General EHS Guidelines.

The EHS Guidelines for Water and Sanitation includes, among others, the following sector-specific aspects:

- Drinking Water
  - Water Withdrawal
  - Water Treatment
    - Solid Waste
    - Wastewater
    - Hazardous Chemicals
    - Air Emissions
  - Water Distribution
    - Water System Leaks and Loss of Pressure
    - Water Discharges
- Sanitation
  - Fecal Sludge and Septage Collection
  - Sewerage
    - Domestic Wastewater Discharges
    - Industrial Wastewater Discharges
    - Leaks and Overflows
  - Wastewater and Sludge Treatment and Discharge
    - Liquid Effluents
    - Solid Waste
    - Air Emissions and Odors
    - Hazardous Chemicals
- Occupational Health and Safety
- Community Health and Safety

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<sup>15</sup> [Water and Sanitation - Final - December 7.doc \(ifc.org\)](#)

- Performance Indicator and Industry Benchmarks

## V. GENDER

The [World Bank Group Gender Strategy \(FY16 -23\)](#) outlines the support that the entire WBG, including IFC, will provide to sovereign and private clients and companies toward addressing gender discrimination and promoting gender inclusion. That support is critical to achieving greater gender equality, which is key to reducing poverty and increasing prosperity. Building on implementation of the [WBG Gender Strategy 2016-23](#), the new WBG Gender strategy 2024 - 30<sup>16</sup>, which launched in June 2024, proposes to engage with greater ambition – approaching gender equality for all as essential for global development.<sup>17</sup> In particular, the new WBG Gender Strategy 2024-30 targets increased efforts on addressing gender-based violence as the most prevalent and entrenched violation against women and girls.

## VI. Sexual Exploitation, Abuse and Harassment (SEAH) and Child Safeguarding

### A. SEAH policies and procedures applying to World Bank Group staff<sup>18</sup>

#### 1. Prevention

The World Bank Group (WBG) has a strong commitment to providing a safe working environment, free from harassment and abuse. These commitments are enshrined in the WBG’s [Staff Rules](#), and [Code of Ethics](#), which include an explicit prohibition of participating in sexual exploitation and abuse and sexual harassment (SEAH) by WBG staff. The WBG’s Staff Rules and Guidance on Anti-Harassment defines sexual harassment, sets out behaviors that could constitute sexual harassment and misconduct for staff members, and defines the “workplace” to include official travel and social functions related to work, in line with the Chief Executives Board (CEB) Model Policy on Sexual Harassment.

In addition, the WBG has addressed SEAH risks in its contracting with external vendors. The WBG’s Corporate Procurement unit has issued an updated [Code of Conduct for On-site Vendor Employees](#). The Code explicitly prohibits Vendor Employees from engaging in any form of harassment, including sexual harassment. Furthermore, many of these requirements are included in the WBG’s [General Terms and Conditions](#). Prior to contract awards, the WBG Corporate Procurement Committee also reviews high-risk and high-value contracts and ensures that SEAH is sufficiently mitigated.

### B. Policies and procedures related to IFC investments and advisory services

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<sup>16</sup><https://documents1.worldbank.org/curated/en/099061124182033630/pdf/BOSIB17e6952570c51b49812a89c05be6a4.pdf>

<sup>17</sup> [Gender Equality and Economic Inclusion | International Finance Corporation \(IFC\) | www.ifc.org/gender](#)

<sup>18</sup> Information reflects World Bank Group SEAH policies and procedures at the time of writing and is subject to the complete text of the referenced policies and procedures.



## 1. IFC Performance Standards Highlights

IFC aims to protect people affected by IFC investment and advisory services through its Sustainability Framework (last updated January 1, 2012). IFC's Policy on Environmental and Social Sustainability states IFC's expectations with respect to minimizing gender-related risks from business activities and unintended gender-differentiated impacts between persons of different genders in the projects that IFC finances.

IFC's [PSs](#) commit clients to assessing and managing potential gender risks, impacts, and development opportunities, and are designed to help clients prevent, mitigate, and manage their risks in a sustainable way while applying principles of nondiscrimination, equal opportunity, and inclusive stakeholder engagement and adopting safeguarding measures to mitigate or prevent any form of gender-based violence and harassment heightened by project activities. IFC's Gender Strategy (2017) makes explicit reference to gender-based violence and harassment (GBVH) and assessing gender risks in IFC investment projects.<sup>19</sup>

Potential SEAH risks and related prevention and mitigation measures therefore need to be identified by the client early in the project cycle and monitored throughout the implementation of the project. To support this identification process, IFC has developed a Gender and GBV Risk Screening Tool to help staff identify early SEAH risks during project preparation as part of overall due diligence and has mobilized technical implementation support to further support clients.

IFC's Sustainability Policy para 13 states: "IFC believes that women have a crucial role in achieving sound economic growth and poverty reduction. They are an essential part of private sector development. IFC expects its clients to minimize gender-related risks from business activities and unintended gender differentiated impacts. Recognizing that women are often prevented from realizing their economic potential because of gender inequity, IFC is committed to creating opportunities for women through its investment and advisory activities."<sup>20</sup>

"A number of cross-cutting topics such as climate change, gender, human rights, and water, are addressed across multiple Performance Standards."<sup>21</sup>

Performance Standard 1: "Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, and as part of the process of identifying risks and impacts, the client will identify individuals and groups that may be directly and differentially or disproportionately affected by the project because of their disadvantaged or vulnerable status<sup>18</sup>. This disadvantaged or vulnerable status may stem from an individual's or group's race, color, sex, language, religion, political or other opinion, national or social origin, property, birth, or other status. The client should also consider factors such as gender, age, ethnicity, culture, literacy, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources."<sup>22</sup>

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<sup>19</sup> IFC, EBRD & CDC (2020) Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector (<https://www.ifc.org/en/insights-reports/2020/publications-gpn-addressinggbvh>), page 17

<sup>20</sup> IFC (2012) Sustainability Policy paragraph 13.

<sup>21</sup> IFC (2012) Performance Standards paragraph 4.

<sup>22</sup> IFC (2012) Performance Standard 1 paragraph 12.

For example, in large-scale construction projects it is often found that contract and subcontract employees are predominantly male, higher levels of disposable income and well paid relative to the local context, and often migrated from outside the host community and project area. These circumstances elevate the income and privilege disparities in the local host community, heightening the unequal power dynamics which increases risk of sexual exploitation and abuse (SEA) and gender-based violence (GBV) caused via the labor influx. Such SEA and GBV can range from sexual harassment to sexual exploitation and sexual abuse of women and children. Contractors should put in place measures, including codes of conduct, and regular awareness training as well as community engagement activities to address such risks. Such measures should clearly establish that contractors/workers should not engage in any sexual activities with children, defined as anyone under the age of 18 (regardless of national statutes). Different codes of conduct will be relevant for contracting companies, contracting company managers, and individual workers.<sup>23</sup>

## 2. IFC SEAH Knowledge Products and Prevention

IFC has published [knowledge resources, tools, tip sheets, case studies and sectoral guidance](#) to support private sector companies in addressing SEAH and to promote good industry practice. The Good Practice Note by IFC, EBRD, CDC (2020) [Addressing Gender-based Violence and Harassment: Emerging Good Practice for the Private Sector](#) contains how-to guidance for companies as well as for IFC staff. It is accompanied by sector-specific guides including [Agribusiness](#), [Construction](#), and [Public transport](#). The IFC toolkit: [Supporting Companies to Develop and Manage Community-Based Grievance and Feedback Mechanisms Regarding Sexual Exploitation, Abuse and Harassment](#) provides specific SEAH guidance. These IFC technical resources emphasize approaches that aim to identify key risks of SEAH and to undertake measures to mitigate or minimize harm, considering the specific drivers of risks and opportunities that are integral to these different kinds of operations and a survivor-centered approach, putting victims' rights, safety and confidentiality at the forefront of all actions. IFC has extended its technical support on SEAH to company Boards and company senior leadership through a suite of training and resources including the IFC [Guidance for Boards of Directors on Overseeing Gender-Based Violence and Harassment Risk](#) (2023). These technical guidance notes are further implemented at market and industry level by IFC with the aim of promoting good practices.

## 3. Grievances

IFC-financed project-affected communities and individuals may submit their complaint directly to the IFC or the [Compliance Advisor Ombudsman](#) (CAO) office, the independent accountability mechanism for IFC and MIGA.

**Protection against retaliation:** IFC adheres to good practice of non-retaliation and the right of all stakeholders to complain. The [Good Practice Note For The Private Sector: Addressing the Risks of Retaliation Against Project Stakeholders](#) by IFC together with IDB-Invest (2021) mentions concern for preventing and assessing heightened risks of SEAH, particularly in post-conflict contexts, that may intersect with retaliation risks. IFC promotes a survivor-centered approach when handling allegations of SEAH.

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<sup>23</sup> IFC (2017) Good Practice Note: Managing Contractors' Environmental and Social Performance.  
<https://www.ifc.org/content/dam/ifc/doc/mgrt/p-gpn-escontractormanagement.pdf>

C. **Policies and procedures related to child safeguarding**

Recognizing the specific risks and vulnerabilities that children face, including the challenges of child labor in many emerging markets and development contexts, IFC endeavors to mitigate such risks by applying frameworks which are consistent with the spirit and principles of the United Nations Convention on the Rights of the Child (UNCRC). Codes of conduct and behavioral standards established under World Bank Group projects adopt international definitions of SEAH and prohibit any sexual engagement with children under the age of 18 as a condition of employment, and irrespective of the national age of consent.

Under the IFC PSs, the client is required to consider social risks and impacts of a project. For example, IFC Performance Standard 1 (para. 12) require clients to identify groups and individuals affected by the project that may be disadvantaged or vulnerable, and to put in place dedicated or adapted mitigation measures to meet their needs.

IFC safeguarding actions for children are further guided by its applicable regulations, procedures and policy framework if it becomes aware of suspicions or complaints of child harm. All relevant actions and responses are informed by the guiding principles of a survivor-centered and child-sensitive approach to grievance handling (as described in the Good Practice Note on [Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector](#)). Guidance on making grievance mechanisms child sensitive and processes which are in the best interests of the child is included in the IFC Toolkit: [Supporting Companies to Develop and Manage Community-Based Grievance and Feedback Mechanisms Regarding Sexual Exploitation, Abuse and Harassment](#).

**Additional IFC SEAH guidance:**

- IFC, EBRD & CDC (2020) Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector (<https://www.ifc.org/en/insights-reports/2020/publications-gpn-addressinggbvh>).
  - [Develop a Community-Based Grievance Mechanism for Sexual Exploitation and Abuse](#)
  - [Establish and Manage a Worker Grievance Mechanism for Sexual Harassment](#)
  - [Write and Implement an Employee Code of Conduct for Prevention of Sexual Exploitation and Abuse](#)
  - [Write and Implement a Workplace Policy for Prevention of Sexual Harassment](#)
- IFC (2022) Toolkit: [Supporting Companies to Develop and Manage Community-Based Grievance and Feedback Mechanisms Regarding Sexual Exploitation, Abuse and Harassment \(ifc.org\)](#)
- IFC (2023) [Tip Sheet: Guidance for Boards of Directors on Overseeing Gender-Based Violence and Harassment Risk](#)

## VII. E&S RISK MANAGEMENT DURING PROJECT PREPARATION AND IMPLEMENTATION

### A. Environmental and Social Due Diligence

Overall Approach for Investment Activities: Environmental and social due diligence applies to all IFC investment activities. IFC's environmental and social due diligence is integrated into IFC's overall due diligence of the business activity under consideration, including the review of financial and reputational risks. IFC weighs the costs and benefits of proposed business activities and articulates its rationale and specific conditions for the proposed activity. These are provided to IFC's Board of Directors when the investment activity is presented for approval.

IFC will only finance investment activities that are expected to meet the requirements of the Performance Standards within a reasonable period of time. Persistent delays in meeting these requirements can lead to loss of financial support from IFC.

At times, the client's ability to achieve environmental or social outcomes consistent with the Performance Standards will be dependent on third party actions. A third party may be a government agency in a regulator capacity or contract party, a contractor or primary supplier with whom the business activity has a substantial involvement, or an operator of an associated facility (as defined in Performance Standard 1). IFC, as part of its own due diligence process, will review clients' identification of third party risks, and will determine whether such risks are manageable, and if so under what conditions, so as to create outcomes consistent with the Performance Standards. Certain risks may require IFC to refrain from supporting the proposed business activity.

IFC's agreements pertaining to the financing of clients' activities include specific provisions with which clients undertake to comply. These include complying with the applicable requirements of the Performance Standards and specific conditions included in action plans, as well as relevant provisions for environmental and social reporting, and supervision visits by IFC staff or representatives, as appropriate. If the client fails to comply with its environmental and social commitments as expressed in the legal agreements and associated documents, IFC will work with the client to bring it back into compliance, and if the client fails to reestablish compliance, IFC will exercise its rights and remedies, as appropriate.

IFC requires that clients inform IFC when there is a material change in their businesses or when they plan to enter into a new business area that is materially different from what was represented when IFC obtained Board approval. In such circumstances, IFC will assess whether the new business area poses environmental and/or social risks and/or impacts, and if so, IFC will require the client to adjust its Environmental and Social Management System (ESMS) in a manner consistent with (i) potential environmental and social risks and impacts associated with material changes of these new businesses; (ii) this policy; and (iii) applicable requirements of the Performance Standards. IFC may request the client to provide results of its environmental and social due diligence for activities financed in these new businesses areas.

The complete text of the Policy on Environmental and Social Sustainability from which this section, and the succeeding subsections have been drawn from may be accessed through this link: <https://www.ifc.org/en/insights-reports/2012/publications-policy-sustainability-2012>

See also <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-process.pdf>.

## **1. Direct Investments**

IFC's environmental and social due diligence is commensurate with the nature, scale, and stage of the business activity, and with the level of environmental and social risks and impacts. IFC conducts due diligence of all new direct investments that are being considered for IFC support, whether in the design, construction, or operational stage. Where the proposed use of funds is not fully defined at the time of the due diligence, IFC's environmental and social due diligence may be expanded to cover other business activities of the client as part of IFC's risk management considerations. Where there are significant environmental or social impacts associated with the business activity, including past or present adverse impacts caused by others, IFC works with its client to determine possible remediation measures.

IFC investment timing in relation to a client's business activity varies from transaction to transaction. IFC's engagement often occurs well after the business activity is conceived, with the site selected and development started. In such cases, IFC will review the ESMS and risk management practices already in place, as well as the environmental and social assessment and community engagement undertaken by the client and/or any third party before IFC's consideration of the investment. When IFC's involvement occurs in the early stages of investment design, IFC is able to support the client more effectively in anticipating and addressing specific risks and impacts; in identifying opportunities; and in managing these throughout the life of the investment.

Environmental and social due diligence typically includes the following key components: (i) reviewing all available information, records, and documentation related to the environmental and social risks and impacts of the business activity; (ii) conducting site inspections and interviews of client personnel and relevant stakeholders, where appropriate; (iii) analyzing the business activity's environmental and social performance in relation to the requirements of the Performance Standards and provisions of the World Bank Group Environmental, Health and Safety Guidelines or other internationally recognized sources, as appropriate; and (iv) identifying any gaps therewith, and corresponding additional measures and actions beyond those identified by the client's in-place management practices. To ensure the business activity meets the Performance Standards, IFC makes these supplemental actions (Environmental and Social Action Plan) necessary conditions of IFC's investment.<sup>24</sup>

In cases of business activities with defined use of proceeds and a clearly defined environmental and social footprint, IFC's requirements regarding environmental and social risk management will apply to the

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<sup>24</sup> In the context of the RWI Facility, IFC will contractually require that the borrowers under RWI Facility projects comply with the requirements of the IFC's policies and procedures on indigenous peoples in a manner that enables the Borrowers as Executing Entities for RWI Facility projects to comply with the requirements of the GCF IPP, monitor such compliance, and take reasonable action in accordance with the AMA if the Borrowers fail to comply.

business activities financed from funds provided by IFC. However, IFC will encourage its clients to manage environmental and social risks consistently in all their operations.

In cases where the business activity to be financed is likely to generate potential significant adverse impacts on communities (i.e., Affected Communities) or is likely to generate potential adverse impacts on Indigenous Peoples, IFC expects clients to engage in a process of Informed Consultation and Participation (ICP). In such cases, through its own investigation, IFC will determine whether the client's community engagement is one that involves ICP and enables the participation of the Affected Communities, leading to Broad Community Support for the business activity by Affected Communities. Broad Community Support is a collection of expressions by Affected Communities, through individuals or their recognized representatives, in support of the proposed business activity. There may be BCS even if some individuals or groups object to the business activity. After the Board approval of the business activity, IFC continues to monitor the client's community engagement process as part of its portfolio supervision.

In addition, where a proposed business activity triggers the Performance Standard 7 requirement of Free, Prior, and Informed Consent of Indigenous Peoples, IFC will undertake an in-depth review of the process conducted by the client as part of its environmental and social due diligence.

## B. Environmental and Social Categorization

As part of the review of environmental and social risks and impacts of a proposed investment, IFC uses a process of environmental and social categorization to reflect the magnitude of risks and impacts. The resulting category also specifies IFC's institutional requirements for disclosure in accordance with IFC's Access to Information Policy. These categories are:

Category A: Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.

Category B: Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

Category C: Business activities with minimal or no adverse environmental or social risks and/or impacts.”

For more details, see IFC Interpretation Note on E&S Categorization (January 1, 2012)<sup>25</sup>

## C. Supervision

IFC carries out the following actions to monitor its investments and advisory activities as part of its portfolio supervision program:

### Direct Investments

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<sup>25</sup> [Microsoft Word - Interpretation Note on E&S Categorization December 21.docx \(ifc.org\)](#)

- Implement a regular program of supervision for business activities with environmental and social risks and/or impacts in accordance with the requirements of IFC's Environmental and Social Review Procedures.
- Review implementation performance, as reported in the client's Annual Monitoring Report and updates on the Environmental and Social Action Plan, against the environmental and social conditions for investment and the client's commitments. Where relevant, identify and review opportunities for further improving client performance on the sustainability front.
- If changed business activity circumstances might result in altered or adverse environmental or social impacts, IFC will work with the client to address them.
- If the client fails to comply with its environmental and social commitments, as expressed in the environmental and social conditions for investment, IFC will work with the client to bring it back into compliance to the extent feasible, and if the client fails to reestablish compliance, IFC will exercise remedies as appropriate.

## VIII. Access to Information Policy (AIP)<sup>26</sup>

Environmental and Social Information. In accordance with the Performance Standards, IFC requires its clients to engage with Affected Communities, including through the disclosure of information, in a manner commensurate with the risks and impacts their projects pose to such stakeholders. IFC makes publicly available the following environmental and social information: (a) Direct Investments. For each proposed Category A and B project, IFC discloses a summary of its review findings and recommendations, the Environmental and Social Review Summary (ESRS). The ESRS includes: (i) reference to the Performance Standards and any applicable grievance mechanisms, including the CAO; (ii) the rationale for IFC's categorization of a project; (iii) a description of the main environmental and social risks and impacts of the project; (iv) key measures identified to mitigate those risks and impacts, specifying any supplemental actions that will need to be implemented to undertake the project in a manner consistent with the Performance Standards, or where required by IFC, the Environmental and Social Action Plan (ESAP); (v) where greater than 25,000 MT CO<sub>2</sub> equivalent, the expected GHG emissions of the project; (vi) electronic copies or web links, where available, to any relevant Environmental and Social Impact Assessment (ESIA) documents prepared by or on behalf of the client; and (vii) for those projects where the verification of the Free, Prior, and Informed Consent (FPIC) of indigenous peoples is required, a description of the status of that consent process.

For each investment, other than those expected to have minimal or no environmental or social adverse risks and/or impacts, IFC updates the ESRS or SII with the following environmental and social information, as it becomes available:

(a) Any ESAP required by IFC that has been produced after approval of the investment by IFC's Board of Directors (or other relevant internal authority); and

(b) The status of implementation of the ESAP, where required by IFC.

For Category A and B investments, IFC will also make available, if applicable:

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<sup>26</sup> [Disclosure - Access to Information Policy \(AIP\) \(ifc.org\)](https://www.ifc.org/disclosure-access-to-information-policy-aip)

(c) Any ESIA reviewed by IFC, as they become available; and

(d) Third-party monitoring reports, where required by IFC, in accordance with the Performance Standards.

The full text of the Access to Information Policy may be accessed through this link: <https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-access-to-information-policy-en.pdf>

## IX. Grievance Redress

### A. IFC Grievance Redress Mechanism<sup>27</sup>

Responding to environmental and social complaints raised by external stakeholders is critical to achieve positive E&S outcomes and to demonstrate IFC's commitment to accountability. IFC has established an institutional-level grievance mechanism to facilitate responsiveness to E&S complaints. When receiving an E&S complaint, IFC engages with complainants and works with clients to find solutions to E&S concerns as quickly and efficiently as possible.

### B. Compliance Advisor/Ombudsman<sup>28</sup>

IFC supports its clients in addressing environmental and social issues arising from their business activities by requiring them to set up and administer appropriate mechanisms and/or procedures to address related grievances and complaints from Affected Communities. In addition to these mechanisms and procedures, the role of administrative and/or legal procedures available in the host country should also be considered. Nonetheless, there may be cases where grievances and complaints from those affected by IFC-supported business activities are not fully resolved at the business activity level or through other established mechanisms.

Recognizing the importance of accountability and that the concerns and complaints of Affected Communities should be addressed in a manner that is fair, objective, and constructive, a mechanism has been established through the Compliance Advisor/Ombudsman (CAO) to enable individuals and communities affected by IFC-supported business activities to raise their concerns to an independent oversight authority.

The CAO is independent of IFC management and reports directly to the President of the World Bank Group. The CAO responds to complaints from those affected by IFC-supported business activities with the goal of enhancing environmental and social outcomes on the ground and fostering greater public accountability of IFC. The CAO works to resolve complaints using a flexible problem-solving approach through the CAO's dispute resolution arm. Through its compliance arm, the CAO oversees project-level audits of IFC's environmental and social performance in accordance with the CAO's operational guidelines.

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<sup>27</sup> <https://www.ifc.org/en/what-we-do/sector-expertise/sustainability/submitted-environmental-social-complaints-to-ifc>

<sup>28</sup> [Home | Office of the Compliance Advisor/Ombudsman \(cao-ombudsman.org\)](https://www.ifc.org/en/what-we-do/sector-expertise/sustainability/submitted-environmental-social-complaints-to-ifc)





Complaints may relate to any aspect of IFC-supported business activities that is within the mandate of the CAO. They can be made by any individual, group, community, entity, or other party affected or likely to be affected by the environmental or social impacts of an IFC-financed business activity.

The full text of the CAO Policy may be accessed through this link:

<https://www.ifc.org/en/about/accountability/cao-policy-consultation>

## Annex 1. Key Reference Documents

IFC (2007) Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets [Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets \(ifc.org\)](https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-stakeholder-engagement-handbook.pdf)

IFC (2012) IFC Sustainability Framework - <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-sustainability-framework.pdf>

IFC, EBRD, CDC (2020) Good Practice Note: Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector – <https://www.ifc.org/en/insights-reports/2020/publications-gpn-addressinggbvh>

IFC (2017) Good Practice Note: Managing Contractors' Environmental and Social Performance - <https://www.ifc.org/content/dam/ifc/doc/mgrt/p-gpn-escontractormanagement.pdf>

IFC (2017) Good Practice Handbook: Use of Security Forces: Assessing and Managing Risks and Impacts - <https://www.ifc.org/content/dam/ifc/doc/mgrt/p-handbook-securityforces-2017.pdf>

IFC & Social Accountability International (SAI) (2007) Measure & Improve Your Labor Standards Performance. Performance Standard 2 Handbook for Labor and Working Conditions - <https://www.ifc.org/content/dam/ifc/doc/mgrt/sai-ifc-laborhandbook.pdf>

IFC (2023) Good Practice Handbook – Land Acquisition and Involuntary Resettlement - <https://www.ifc.org/content/dam/ifc/doc/2023/ifc-handbook-for-land-acquisition-and-involuntary-resettlement.pdf>

IFC (2009) Good Practice Note on Addressing Grievances from Project-Affected Communities - <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-grievance-mechanisms.pdf>

IFC (2022) Good Practice Toolkit on [Supporting Companies to Develop and Manage Community-Based Grievance and Feedback Mechanisms](https://www.ifc.org/content/dam/ifc/doc/2022/ifc-handbook-for-land-acquisition-and-involuntary-resettlement.pdf) Regarding Sexual Exploitation, Abuse and Harassment – <https://www.ifc.org/en/insights-reports/2022/publications-gender-grm-toolkit>

IFC/MIGA (2021) Independent Accountability Mechanism (CAO) Policy - <https://www.ifc.org/content/dam/ifc/doc/2023/ifc-miga-independent-accountability-mechanism-cao-policy.pdf>

IFC (2021) Tip Sheets: How To Guidance:

- [Develop a Community-Based Grievance Mechanism for Sexual Exploitation and Abuse](#)
- [Establish and Manage a Worker Grievance Mechanism for Sexual Harassment](#)

- [Write and Implement an Employee Code of Conduct for Prevention of Sexual Exploitation and Abuse](#)
- [Write and Implement a Workplace Policy for Prevention of Sexual Harassment](#)
- [Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector](#)