

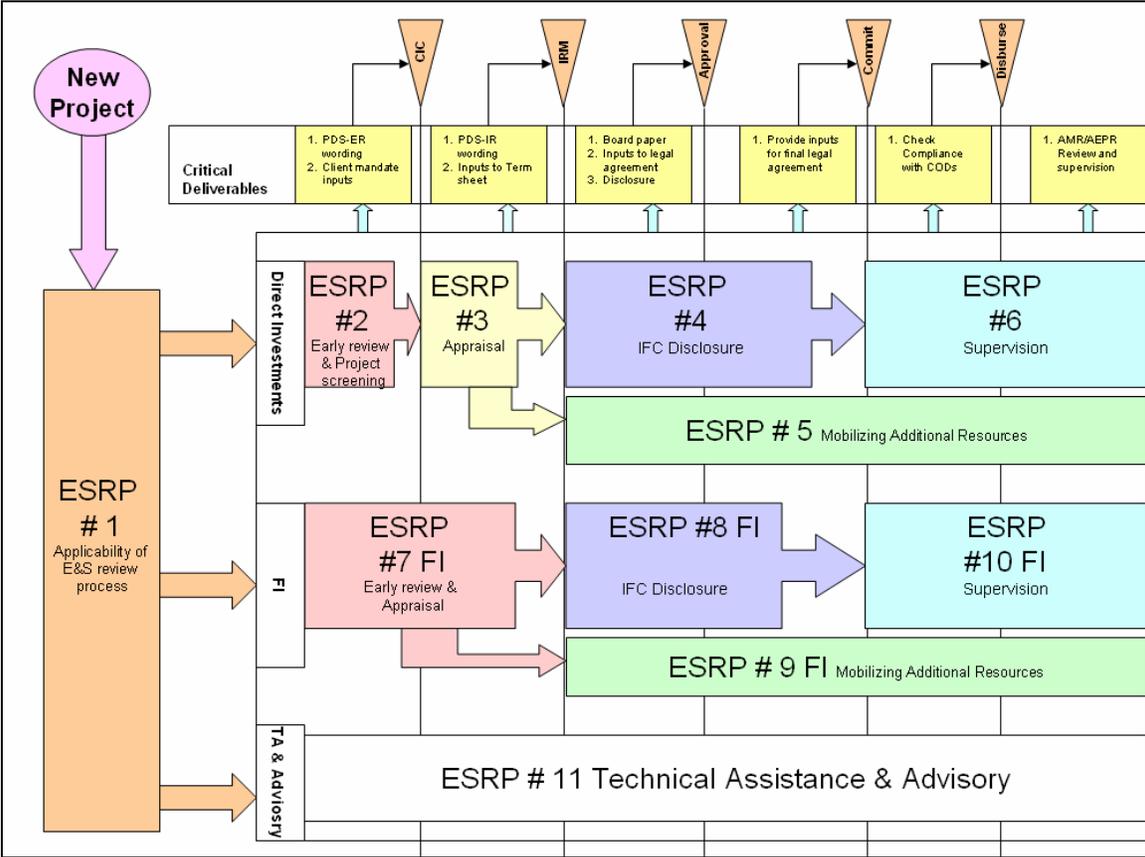
# IFC E&S REVIEW PROCEDURES

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# OVERVIEW OF THE PROCEDURES



## KEY TERMS AND ACRONYMS

TERM	DESCRIPTION
Action Plan	The Action Plan as defined in Performance Standard 1
Advisory Assignment	A financial or policy advisory assignment where IFC proposes to carry out an activity for a fee.
AIS	Appraisal Information Sheet.
AMR	The E&S Annual Monitoring Report.
Applicable Performance Requirements	The elements of the IFC PPS that are applicable to a specific project as determined by a review of the project in general, including specific elements that are identified during the review of the project, as well as all applicable provisions of the national laws and regulations. In the case of FIs, this may be the combination of an exclusion list, the national laws and regulations, and the elements of the IFC PPS in general, including specific elements of the IFC PPS that are identified during the review, and that are applicable to sub-projects supported by the FI and implemented through the FI's ESMS.
Area of Influence	The Area of Influence as defined in Performance Standard 1
BCS	Broad community support, a collective expression by the affected communities, through individuals and/or their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project.
BTO	Back-to-office report.
CAO	The Office of the Compliance Advisor/Ombudsman, which provides a mechanism to enable individuals and communities affected by IFC projects to raise their concerns to an independent oversight authority.
CBF	Capacity Building Facility.
CCF	Corporate Citizenship Facility.
CEEF	Commercializing Energy Efficiency Facility.
CES	IFC's Environment and Social Development Department.
CES Specialist	A staff member of CES who supports the project team.
CESIG	The Investment Support Group of CES which is responsible for the E&S due diligence for investments.
Manager CESIG	The Manager of the CES Investment Support Group.
CFN	IFC's Private Equity and Investment Funds Department.
CGF	IFC's Global Financial Markets Department.
CIC	Corporate Investment Committee.
COD	Conditions of Disbursement.
Commitment	The stage in the IFC project cycle once the legal agreements have been signed.

TERM	DESCRIPTION
Corporate Investment	A transaction in which: (i) the use of proceeds is not limited to specific assets and the application of which is at the discretion of company management; (ii) the proceeds are for specific corporate activities, e.g., restructuring, financial engineering, long-term strategic support, or corporate-wide investments; or (iii) IFC is making a subscription for shares in a private company .
DFO	Donor-funded operations, specifically IFC-managed operations that are funded by donors.
Direct Investment	Investment made by IFC in a company or other legal entity where the investment proceeds are utilized by that company or legal entity or their subsidiaries and/or affiliates.
Director CES	Director of IFC’s Environmental and Social Development Department.
E&S	Abbreviation for Environmental (including Health and Safety) and Social.
E&S Category	An Environmental and Social category assigned after the completion of the E&S review; the category serves as an indication of the nature and extent of potential E&S impacts that the project is expected to have.
E&S Management Systems	The documented or implemented assessment and management elements that enable the client to meet the requirements of the IFC PPS, including policy and procedure, E&S assessments and implementation, organization structure, E&S Management program, technical and management capacity, training, community relationships, financial resources, E&S monitoring, and reporting. In the case of FIs, this refers to the elements of the ESMS, and includes FI E&S policies and review procedures, E&S organization structure, financial and human resources, and internal and external E&S reporting that are required to apply the Applicable Performance Requirements effectively in sub-projects.
ESCM	Environmental and Social Clearance Memorandum that is prepared by the Lead Specialist for Category A and B projects.
ESMS	Environmental and Social Management System.
ESRD	The Environment and Social Review Document that covers project review, analysis, and decision-making from the early review stage through supervision until the project is closed. The ESRD will include environmental and social ratings of the Performance Standards that will feed into the Development Outcome Tracking System.
ESRP	Environmental and Social Review Procedure.
ESRR	Environmental and Social Risk Rating. A tool used by IFC to estimate the potential environmental and social risk of projects. Separate tools exist for Financial Intermediary and Direct Investment projects.

TERM	DESCRIPTION
ESRS	Environmental and Social Review Summary, the document through which IFC publicly discloses how a project was reviewed and the rationale for IFC deciding to invest. It includes a description of the main environmental and social risks and impacts of the project, and the key measures identified to mitigate those risks and impacts, specifying any actions that will need to be implemented to undertake the project in a manner consistent with the Performance Standards and that will be included in the client's Action Plan. The ESRS is written for a general public audience and succinctly presents the issues and risks of the project and how they are being mitigated.
External Expert	An expert appointed by the client to assist with its assessment or other tasks, or by IFC to help with its review or supervision activities.
FIAS	Foreign Investment Advisory Services.
Financial Intermediary Investment (FI)	Investment made by IFC in a financial institution or other legal entity whose primary business activity is to provide loans, equity, guarantee products, or other financing to third parties.
Financing Agreement	The legal agreement that IFC enters into with the client, which defines the terms of financing. This may include loan and equity agreements.
FMS	The Financial Markets Sustainability team, which works on sustainability and value-add financing within IFC's Global Financial Markets Department.
FMTAAS	Funding Mechanism for Technical Assistance and Advisory Services.
GEF	Global Environment Facility.
GEM	Gender Entrepreneurship Markets program.
iDESK	The integrated and Web-enabled workspace for IFC operations; serves as the electronic repository of IFC's project records and documents.
IFC-Managed TAAS Facilities	Facilities or activities that are managed by IFC and that are set up with or use some combination of donor funding, IFC grant funding, or third-party funding to support specific regional or sectoral activities. Activities include providing technical assistance, special financing, advisory services, and training. TAAS Facilities include all the Private Enterprise Partnerships (PEPs) and Project Development Facilities (PDFs) within IFC, as well as all donor-funded facilities set up to support business in specific areas such as Carbon Finance.
IFC PPS	IFC's Policy and Performance Standards on Environmental and Social Sustainability.
InfoShop	The World Bank InfoShop, which allows interested parties to request and obtain publicly available information about IFC's activities. The InfoShop deals only with requests for specific documents (including ESRSs, SPIs and EA reports), not with blanket requests for information related to the World Bank Group.

<b>TERM</b>	<b>DESCRIPTION</b>
Initial Project Information	Project information available at the early review stage of the IFC project cycle, including previously prepared assessment reports, planning and concept documents, project-related environmental and social studies and plans, technical documentation of pollution control approaches and criteria, applicable legal and regulatory frameworks, and community engagement activities. This information is usually provided by the Transaction Leader.
IRM	Investment Review Meeting. After completion of project appraisal, the Director of an IFC Investment Department chairs this meeting, which is the basis for IFC management approval of the project. The full project team attends the IRM as appropriate.
Lead Specialist	The designated representative of CES to review the Environmental and Social issues of any proposed investment.
Market Instrument	A financial instrument where the instrument holder has limited influence, or none, over the operations of the issuer of the instrument. This may include listed equity, commercial paper, bonds, and other debt or equity instruments that are traded in the market.
MOR	Monthly Operations Report included in the PSD-ER.
NGO	Nongovernmental Organization.
PDF	Project Development Facility managed by IFC.
PDS-ER	Project Data Sheet – Early Review.
PDS-IR	Project Data Sheet – Investment Review.
PEP	Private Enterprise Partnership managed by IFC.
Project Assessment Information	All assessment and management related information describing the potential E&S impacts of the business activity being considered for an IFC investment, including previously prepared assessment reports, planning and concept documents, project-related environmental or social studies and plans, technical documentation of pollution control plans and criteria, applicable legal and regulatory frameworks, and community engagement activities (information disclosure, dissemination, consultation, and other participatory processes). This can also include information collected during discussions with the client.
Project Data Sheet (PDS)	A document prepared by the project team that contains a project description, and details of the potential investment, highlights any policy issues and potential deal-breakers, reviews IFC's role in the project and development impact, and outlines environmental and social issues and policy concerns (including project categorization). The PDS is continually updated during project appraisal and is a key decision document for the Investment Review Meeting.
PS	Performance Standard.
PSR	Project Supervision Report.

<b>TERM</b>	<b>DESCRIPTION</b>
Retail Operations	For an FI where the financing or financial service is provided only to individuals, such as credit cards, personal loans, home loans, vehicle leasing.
RFP	Request for Proposal.
SPI	Summary of Proposed Investment, a document prepared by the Investment Department and publicly disclosed in accordance with IFC's Disclosure Policy.
Supplemental Actions	Additional or corrective actions to be taken by the client, to be incorporated in the Action Plan to address any gaps in the project meeting the IFC performance requirements or as a result of new information.
TAAS	Technical Assistance and Advisory Services.
TAPP	Technical Assistance Project Profile.
TATF	Technical Assistance and Trust Funds.
Team Leader	The leaders of teams within CESIG who are responsible for the CES specialists working with specific Industry Departments.
ToR	Terms of Reference.
Transaction Leader	The representative of the Investment Department of IFC who is responsible for managing the overall transaction for an investment or advisory project.
Transboundary Issues	Global environmental issues, such as air pollution and deprivation of water from, or pollution of, international waterways.
XPSR	Expanded Project Supervision Report.

## INTRODUCTION

IFC's Environment and Social Review Procedure (ESRP) outlines the process through which IFC staff implement the Corporation's commitment to promoting projects that are environmentally and socially sustainable. This commitment is a fundamental part of IFC's mission and is elaborated on in IFC's Policy and Performance Standards on Social and Environment Sustainability (PPS) as well as in IFC's Policy on Disclosure of Information (the Disclosure Policy).

The ESRP applies to the full range of IFC's investment activities: direct lending to private enterprises (including both corporate and project finance); lending to financial intermediaries; minority equity/shareholding in companies, financial institutions, and other entities; structured finance products (guarantees, securitizations); and municipal finance. The ESRP also describes IFC's approach to its technical assistance and advisory activities, including both investment-related work and capacity building to help support private sector development in emerging markets.

The ESRP also describes the application methodology that IFC staff must follow in order to implement IFC's institutional disclosure requirements in accordance with the Disclosure Policy. The application of the PPS varies according to the nature of IFC's intervention with the client and the nature of the client's business (for example, industrial companies versus financial institutions). The ESRP covers IFC's review and supervision responsibilities for environmental and social performance throughout the project life cycle.

The timing of an IFC investment in relation to a client's business activities and project implementation process varies from project to project. IFC does not control the timing of its entry into a project; IFC's engagement, more times than not, occurs well after the project is conceived, with the site selected and development started. When considering whether or not to participate in a transaction, IFC's review takes into account any project development work undertaken beforehand.

IFC has a range of other tools to help staff assist its clients in improving the environment and social outcomes of their projects. Other sources of information that complement the PPS include the Guidance Notes for the Performance Standards; IFC Environmental Health and Safety Guidelines, which provide specific benchmark criteria in line with good international practice; and a diverse range of best practice material. The ESRP therefore does not provide technical support or guidance for specific environmental and social issues. Instead it is a defined and structured process that helps IFC maintain consistency and quality of its review process and ensure that policy requirements are identified and committed to. It thus helps fulfill the Corporation's commitment to sustainable outcomes in the operations it invests in or supports.

Assessing and managing environmental and social impacts in a manner consistent with the PPS is the responsibility of the client. IFC's responsibility is to review the work of the client, identify opportunities to improve outcomes, and ensure consistency with policy requirements. IFC's approach is to take full advantage of any work undertaken by the client before IFC's own entry into the transaction, thus minimizing additional processing burdens where it is possible to do so while still meeting the Corporation's policy requirements. Of particular importance in the PPS is the adequacy of the client's ESMS. IFC's investment or advisory support is used to influence and improve performance whenever possible.

The ESRP includes an amended categorization methodology, which categorizes projects according to potential adverse impacts after IFC's review rather than during initial screening. Categorization was previously used as a determinant of certain procedural requirements for the client relating to assessment, community engagement and disclosure. The ESRP recognizes that all process requirements of the client have now been captured in the PPS and that categorization is now used only to determine IFC's institutional disclosure requirements.

IFC's environmental and social specialists are an essential and integral parts of the process the Corporation uses to optimize outcomes. The ESRP is not a substitute for professional judgment and expertise but provides a framework for the consideration and documentation of key issues and decisions that are made during the project cycle. It also provides staff with a process for document preparation. CESIG has a quality assurance process to ensure that, among other objectives, there is consistency in the application of judgment among specialists and across projects. As part of this, an information and decision recording system serves as the implementation vehicle for the ESRP. This system incorporates the various templates and procedure guidance notes and facilitates a consistency in judgment.

The ESRP actions are consistent with the chronology of events in the project cycle. Any deviation from steps in this procedure for a specific project needs to be authorized by the Manager CESIG and recorded in the ESRD. These procedures are to be followed by all environmental and social specialists within CESIG, unless otherwise specified.

# **1 DETERMINING THE SCOPE OF THE E&S REVIEW PROCESS**

## **1.1 Purpose and Applicability**

1.1.1 This procedure describes the steps for determining the scope of the E&S Review that IFC shall conduct for all investments, financial services, and technical assistance and advisory activities that have been proposed for IFC consideration.

## **1.2 Procedure**

1.2.1 The Team Leader assigns the Lead Specialist and additional environmental or social specialists as required to support the Lead Specialist in the project review and appraisal.

1.2.2 Classify the project as one of the following types:

- a. Direct Investments;
- b. Financial Intermediary Investments; or
- c. Establishment of an IFC-managed TAAS facility.

1.2.3 This classification should be done on the basis of the activity itself and not according to the department handling the transaction. For instance, the Municipal Funds Department or industry departments such as Global Manufacturing may have FI category projects. For any other activities, refer the case to the Team Leader for a determination.

1.2.4 For Technical Assistance and Advisory Services related to projects that are being considered for a Direct or FI Investment, follow the review process for the main investment as defined in these procedures. For the establishment of an IFC-managed TAAS facility, go to Procedure No 11.

1.2.5 Create the ESRD for the project to record general information about the investment under consideration.

1.2.6 Ensure that the investment or service is not in contravention of IFC's "Exclusion List" as provided in Annex 1.5.1.

1.2.7 For Direct Investments that are determined not to have any material adverse E&S impacts (category C), no further review is required. Examples include:

- a. Where IFC's proposed financing is aimed only at improving the efficiency of capital (e.g., financial restructuring) and will not be used for new or existing physical facilities or assets;
- b. Where the investment proceeds will fund an activity with minimal or no adverse impacts, such as projects in which there are no significant wastes or emissions to the environment; or

- c. Where annual reports on environmental and social issues are not required due to the investment's limited and low-risk nature.

1.2.8 Record the decision and the rationale in the ESRD; provide wording for MOR, PDS-IR, and SPI as per annex 0; inform the Team Leader and the Manager CESIG of the determination; and go to Procedure No. 3.2.19.

1.2.9 For all other Direct Investments, go to Procedure No.2.

1.2.10 For Financial Intermediary investments that support business activities without any material adverse E&S impact potential, no further review is required. Examples include:

- a. Where the Financial Intermediary's financing is aimed only at improving the efficiency of capital (e.g., financial restructuring) and will not be used for physical facilities or assets; or
- b. The Financial Intermediary funds activities with minimal or no adverse impacts, such as activities that produce no significant wastes or emissions to the environment. Record the decision and the rationale in ESRD; provide wording for MOR, PDS-IR, and SPI as per annex 1.5.3 respectively; inform the Team Leader of the determination and go to Procedure No. 8.

1.2.11 For all other Financial Intermediary Investments, go to Procedure No. 7.

### **1.3 Responsibilities**

1.3.1 The Transaction Leader from the relevant IFC department is responsible for providing the Lead Specialist with the information necessary to determine the scope of the project's E&S Review in accordance with this procedure.

1.3.2 The Lead Specialist is responsible for:

- a. Classifying the project as Direct, Financial Intermediary or TAAS; and
- b. For determining the requirement for further review, and its scope, in accordance with this procedure.

### **1.4 Records and Documentation**

1.4.1 ESRD document.

1.4.2 Project classification and environmental and social review applicability statement recorded in the ESRD and filed in iDESK.

1.4.3 MOR, PDS-IR and SPI wording for projects where no further review is required (Category C) are to be recorded in ESRD and filed in iDESK as well as provided as information to the Team Leader.

## 1.5 Annexes

### 1.5.1 Exclusion list

The IFC Exclusion List defines the types of projects that IFC **does not** finance.

IFC does not finance the following projects:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- Production or trade in weapons and munitions.<sup>i</sup>
- Production or trade in alcoholic beverages (excluding beer and wine).<sup>i</sup>
- Production or trade in tobacco.<sup>i</sup>
- Gambling, casinos and equivalent enterprises.<sup>i</sup>
- Trade in wildlife or wildlife products regulated under CITES.<sup>ii</sup>
- Production or trade in radioactive materials.<sup>iii</sup>
- Production or trade in or use of unbonded asbestos fibers.<sup>iv</sup>
- Purchase of logging equipment for use in primary tropical moist forest.
- Production or trade in pharmaceuticals subject to international phase outs or bans.
- Production or trade in pesticides/herbicides subject to international phase outs or bans.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

**All financial intermediaries (FIs)**, except those engaged in activities specified below\*, must apply the following exclusions, in addition to IFC's Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>v</sup>/harmful child labor.<sup>vi</sup>
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in products containing PCBs.<sup>vii</sup>
- Production or trade in ozone depleting substances subject to international phase out.<sup>viii</sup>

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<sup>i</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>ii</sup> CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from the Environment Division.

<sup>iii</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.

<sup>iv</sup> This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

<sup>v</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>vi</sup> Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

<sup>vii</sup> PCBs: Polychlorinated biphenyls - a group of highly toxic chemicals. PCBs are likely to be found in oilfilled electrical transformers, capacitors and switchgear dating from 1950-1985.

\* When investing in **microfinance** activities, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>vi</sup>/harmful child labor.<sup>vi</sup>
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in products containing PCBs.<sup>vii</sup>
- Production or trade in ozone depleting substances subject to international phase out.<sup>viii</sup>
- Production or trade in wood or other forestry products from unmanaged forests.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals.<sup>ix</sup>
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

\*When engaged in **trade finance**, given the nature of the transactions, FIs will apply the following Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>vi</sup>/harmful child labor.<sup>vi</sup>
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- Production or trade in weapons and munitions.<sup>i</sup>
- Production or trade in alcoholic beverages (excluding beer and wine).<sup>i</sup>
- Production or trade in tobacco.<sup>i</sup>
- Gambling, casinos and equivalent enterprises.<sup>1</sup>
- Trade in wildlife or wildlife products regulated under CITES.<sup>ii</sup>
- Production or trade in radioactive materials.<sup>iii</sup>
- Production or trade in or use of unbonded asbestos fibers.<sup>iv</sup>
- Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or trade in products containing PCBs.<sup>vi</sup>

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<sup>viii</sup> Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from the Environment Division.

<sup>ix</sup> A list of hazardous chemicals is available from the Environment Division. Hazardous chemicals include gasoline, kerosene and other petroleum products.

1.5.2 MOR, PDS-IR and SPI wording for Direct Investment projects not requiring review.

MOR, PDS-IR and SPI wording for reviewed Direct Investment projects.  
*[Link provided for staff]*

1.5.3 MOR, PDS-IR and SPI wording for the Financial Intermediary projects not requiring review.

MOR, PDS-IR, and SPI wording for reviewed Financial Intermediary projects.  
*[Link provided for staff]*

## **2 DIRECT INVESTMENTS: EARLY REVIEW AND PROJECT SCREENING**

### **2.1 Purpose and Applicability**

2.1.1 This procedure describes the E&S Review process during the PDS-ER stage of the IFC project cycle for Direct Investment projects until the CIC, and covers the following steps:

- a. Establishment of the preliminary environmental and social performance requirements that apply to a Direct Investment project, based on an initial identification of potential E&S issues of concern; and
- b. Communication of these requirements to the Transaction Leader to facilitate mandate discussion with the client.

### **2.2 Procedure**

2.2.1 Depending on the information available, other specialists may be needed to meet IFC's review requirements. Where possible at this stage, identify other potential support team members (for example, staff from regional offices, the SME Department, PEPs, and or PDFs) in coordination with the Team Leader. Where there are multiple support team members, develop, in coordination with the Transaction Leader, a phased timetable for interaction between the client and the various support team members to meet the client's needs. An internet search of the company and its shareholders can often provide useful information, particularly in relation to interest by NGOs and other stakeholders.

2.2.2 Follow the appropriate steps as outlined below:

- a. For projects in which IFC has an existing investment, and all the following conditions are met, no further review is required.
  - a.1 IFC has previously conducted an E&S review that is consistent with the IFC PPS; and
  - a.2 The existing investment has been supervised within the previous 12 months and its performance has been determined to be in compliance with the IFC PPS; and
  - a.3 The new investment will not result in any material change in the E&S impacts associated with the project. However, the covenants and reporting requirements will be extended to cover the proposed investment.
  - a.4 Provide wording for MOR and PDS-IR, inform the Team Leader and the Manager CESIG of the determination, and go to Procedure No. 3.2.19.

- b. For projects where IFC will not be able to exercise direct influence on the operations of a project such as:
  - b.1 IFC investment in a market instrument issued by the project; or
  - b.2 Where the IFC investment proceeds will support a minority and non-controlling ownership stake in a company, review available information to determine whether the underlying asset to be financed is expected to be implemented and operated in a manner that will meet the requirements of IFC PPS:
    - i) If the project is expected to meet IFC PPS, record the decisions and supporting analysis in the ESRD, provide wording for MOR and PDS-IR as per Annex 2.5.1; inform the Team Leader and the Manager CESIG of the determination; and go to Procedure 3.2.19
    - ii) If the information provided is inadequate, advise the Transaction Leader and request additional information or a field visit to determine the project's ability to comply with the IFC PPS; then repeat this procedure until adequate information is available.
    - iii) If the project is not expected to meet the IFC PPS, inform the Transaction Leader, Team Leader, and the Manager CESIG.
- c. For all other projects go to Procedure 2.2.3.

2.2.3 Obtain and review the available Initial Project Information and determine, to the extent possible:

- a. The potential environmental and social issues of concern;
- b. A preliminary indication of the client's E&S management capacity;
- c. Whether the nature and magnitude of the potential impacts are considered to be significant and adverse, site-specific and limited, or minimal; and
- d. The specific IFC Performance Standards, if any, that would likely apply to the investment. Depending on the adequacy of the information provided, provide an early indication to the Transaction Leader of the IFC Board disclosure period requirements that are likely to apply (see Procedure No 4).

2.2.4 Conduct a pre-appraisal site visit in cases where:

- a. The information provided is insufficient to take the proposal to the CIC meeting; and
- b. Where it is considered necessary by the Lead Specialist given the nature and complexity of the project or specific issues associated with it.

2.2.5 Record the key decisions and supporting analysis in the ESRD referencing the pre-appraisal BTO for the site visit and as provided in Annex 2.5.3.

2.2.6 Where possible prior to appraisal, determine whether IFC will want to retain an External Expert to support the E&S review and whether the client may be expected to engage external expertise for its assessment work, and notify the client accordingly.

2.2.7 Prior to the CIC meeting, brief the Director CES on issues that present significant environmental and/or social concern, projects that are likely to require a major commitment of CES resources or projects that are likely to establish precedent in CES practice.

2.2.8 Provide the wording for the MOR note as per Annex 2.5.1.

2.2.9 Participate in CIC meeting and respond to E&S inquiries from the Committee.

2.2.10 Provide E&S wording to the Transaction Leader for inclusion in the Mandate Letter that lists the indicative conditions of IFC participation. Where possible, this should include:

- a. The Applicable Performance Requirements including the specific provisions of the IFC PPS that would apply; and
- b. Where determined as per paragraph 2.2.6, the need for an External Expert to support IFC's review.

2.2.11 Confirm that the Transaction Leader has provided the IFC PPS to the client.

2.2.12 For the steps conducted in this procedure, record findings in the ESRD and update in iDESK.

### **2.3 Responsibilities**

2.3.1 The Transaction Leader is responsible for:

- a. Providing the Lead Specialist with information to determine the applicability of environmental and social review for the project in accordance with this procedure; and
- b. Providing IFC's indicative requirements to the client.

2.3.2 The Lead Specialist is responsible for:

- a. Determining the Applicable Performance Requirements;
- b. Determining, in conjunction with the Transaction Leader, the need for a pre-appraisal trip and conducting it if required;
- c. Providing E&S wording for the MOR ensuring that the E&S risks are adequately addressed in the PDS-ER, and the client Mandate Letter; and
- d. Informing the Team Leader and the Manager CESIG of projects classified as Category C, and those not expected to meet PS.

## **2.4 Records and Documentation**

2.4.1 MOR's E&S wording.

2.4.2 ESRD containing

- a. Pre-appraisal findings; and
- b. References to the pre-appraisal BTO and other documents reviewed.

2.4.3 Client mandate E&S notification wording recorded in ERSR.

2.4.4 BTO (where a pre-appraisal site visit has been conducted) referenced in ESRD and filed in iDESK).

## **2.5 Annexes**

2.5.1 MOR wording outline.

*[Link provided for staff]*

2.5.2 Outline for E&S inputs for client mandate letter.

*[Link provided for staff]*

2.5.3 BTO template.

*[Link provided for staff]*

### **3 DIRECT INVESTMENTS: APPRAISAL**

#### **3.1 Purpose and Applicability**

3.1.1 This procedure describes the E&S Review process for Direct Investment projects during the appraisal stage of the IFC project cycle until the Investment Review Meeting, and covers the following steps:

- a. Review of the Project Assessment Information and Action Plan and identification of gaps, if any;
- b. Review of client's ESMS and identification of gaps, if any;
- c. Identification of any Supplemental Actions to be incorporated in the client's Action Plan to address any gaps identified above;
- d. Conducting of a site visit as required;
- e. Conducting of a Peer Review Meeting where required;
- f. Identification of potential value-added opportunities for the client and mobilization of resources to assist in their implementation;
- g. Categorization of the project; and
- h. A determination of BCS, where applicable.

#### **3.2 Procedure**

3.2.1 Request and obtain Project Assessment Information. Review the quality and adequacy of the client's Project Assessment in relation to the proposed project, including activities underway or completed prior to IFC's involvement. Review who conducted the assessments, their qualifications to do so, and the appropriateness of the timetable for implementation of the Action Plan. In the case of assessments already completed, ensure that the information is current. Ensure that the scope of the environmental assessment is consistent with the Area of Influence of the project, as described in Performance Standard 1 including the identification of any associated facilities.

3.2.2 Request and review the information documenting the nature and extent of any disclosure or consultation undertaken by the client for the project.

3.2.3 Request information on the client's ESMS; review information, focusing on:

- a. The client's E&S policy and procedures;
- b. The current organization structure and staffing;
- c. Performance monitoring procedures;
- d. Reporting of results to management;
- e. The client's track record in E&S Management to date; and
- f. The client's Environment Management Program including an Action Plan for addressing gaps and issues.

3.2.4 Further to Procedure 2.2.1, confirm the complement of specialists needed to meet IFC's review requirements and, in coordination with the Team Leader and the Transaction Leader, identify other support team members including External Experts, industry department specialists, or staff from IFC's regional offices, SME Department, PEPs, and PDFs. Where there are multiple support team members, develop, in coordination with the Transaction Leader, a timetable for interaction between the client and the various support team members to meet the client's needs. The appointment of and Terms of Reference for External Experts will be cleared by the Manager CESIG.

3.2.5 If required, conduct an appraisal mission. This may include a visit to the client's headquarters, to one or more operating facilities, to associated facilities, and/or supply-chain operations. In certain situations, multiple appraisal missions may be required. Record findings in BTO.

3.2.6 Based on the Project Assessment Information, determine whether IFC will require the client to conduct additional assessments in order to determine the applicability of, or compliance with the IFC PPS. Identify any additional studies that may be needed to address larger issues such as cumulative impacts and regional assessments (also the potential source of such studies for example, national governments, IBRD) if the work will not be the responsibility of the client.

3.2.7 Determine whether the client will need to engage an External Expert to support its E&S assessment. If so, notify the Team Leader and Transaction Leader of this determination.

3.2.8 For Corporate Investments, review the adequacy of the client's ESMS to enable future projects compliance with the IFC PPS. To make this determination, review the environmental and social performance of a representative set of past projects and assess how they have been handled by the client's ESMS. An appraisal mission may be required for this.

3.2.9 For large corporate entities that may be engaged in a broad range of activities, the scope of the review of the representative set of projects will be guided by the nature of the corporate investment to be made by IFC, as outlined below:

- a. For all corporate investments, IFC's review should identify all areas of business activity undertaken by the entity in which IFC plans to invest. IFC's review should be extended to any activity that could reasonably be expected to present a risk to IFC's reputation by association with that activity, even if IFC is not financing it directly. Where IFC is providing loans or other financing to a company operating in a range of business sectors, but IFC's support is directed to a particular

business sector or sectors, unrelated business sectors will normally not be subject to review;

- b. In the case of a regionally based company operating in several countries, if an IFC loan or other financing is directed to operations in a particular country or countries, then the review will normally be limited to the activities within that particular country or countries and to facilities that are connected or associated with these activities; and
- c. In the case of corporate transactions that are more general in nature, such as provision of equity or an investment in holding companies, IFC's review will take into account the full range of operations undertaken by the legal entity in which IFC plans to invest, including any significant operations undertaken by its subsidiaries and companies for which it has management control.

3.2.10 IFC's review for companies that can be indirectly exposed to significant environment and social risk through their contracting activity, e.g., construction companies, oil field service companies, should also take account of this third party risk:

- a. Historical information should be reviewed and new business opportunities discussed with the client to determine the nature of projects that the client is likely to be involved in, and the likelihood of encountering PS or exclusion list issues; and
- b. The clients' ESMS should include a screening mechanism that would identify if the work that it would be supporting (for example contracts for which it would provide bids) is likely to be in significant non-compliance with IFC PS 4,5,6,7, and 8. The client should not provide contracting services for projects that are likely to have unmitigated non-compliance with the PPS.

3.2.11 Identify potential opportunities to help the client enhance E&S outcomes, including access to various IFC-sponsored technical and financial assistance funds or programs. To explore additional resources for enabling the value add, initiate the steps in Procedure No. 5.

3.2.12 Review the project against the IFC PPS and carry out the following steps:

- a. Determine the Applicable Performance Requirements;
- b. Determine how the client (or third party, as applicable) is meeting or will meet the requirements, including relevant performance criteria from the IFC Environmental Health and Safety Guidelines;
- c. Determine how the client will monitor performance on a continuing basis;
- d. Determine how the client has met or will meet its disclosure and consultation obligations, as outlined in the IFC PPS (including a non-technical summary, in English);

- e. Where the client is required to conduct Free Prior Informed Consultation, support the Transaction Leader in determining whether the project has BCS. The Manager CESIG and the Director CES should be consulted on the outcome of the BCS review (guidance on how to determine BCS is outlined in Annex 3.5.3);
- f. Identify any gaps between the requirements and the client's Action Plan;
- g. Specify the Supplemental Actions, for any identified gaps that have been agreed with the client, as a condition of IFC's investment, to be incorporated into the client's Action Plan;
- h. If there are any other Multilateral Investors, including IBRD and MIGA, coordinate the E&S Review with the other investors to determine opportunities to share information and avoid duplication or inconsistency; and
- i. Determine whether there are any transboundary E&S Issues, considering:
  - i.1 Whether the project entails activities that may cause appreciable harm through air pollution or deprivation of water from or pollution of international waterways;
  - i.2 Whether the affected countries and the host country have entered into any agreements or arrangements or have established any institutional framework regarding the potentially affected airshed, waterway, subsurface water, or other resources; and
  - i.3 Whether there are any unresolved differences between the affected and host countries regarding the potentially affected resource, and the likelihood of a resolution.

3.2.13 Where there are potential transboundary effects either present, or anticipated as a result of the project, record them in the ESRD and inform the Manager CESIG. Provide requisite information, to the Transaction Leader for further communication to the members of IFC's Board of Directors representing countries that are likely to be impacted by the potential transboundary E&S issue. Provide the Transaction Leader with technical documentation, including copies or summaries of any existing agreements, arrangements, or institutional framework; a map of the transboundary region prepared and cleared by the client; and a copy of the IFC-prepared Environmental and Social Review Summary (ESRS). Support the Transaction Leader in requesting any coordination with the World Bank, and ensure that the matter forms part of the IFC's disclosure of the project. IFC may require an External Expert to review and/or analyze transboundary impacts; the Lead Specialist should make a determination on the need for such expertise and report to the Manager CESIG.

3.2.14 If the client proposes alternative performance measures to the Environmental, Health, and Safety Guidelines, review the justification for this and

determine adequacy. The use of the alternative criteria less stringent than the relevant guideline must be cleared by the Manager CESIG, and any decision and supporting analysis must be recorded in the ESRD.

3.2.15 Request the Manager CESIG to call for a Peer Review Meeting in the following cases:

- a. Where projects have, or may have, significant adverse E&S impacts that are diverse, irreversible, or unprecedented, and that can be only partially addressed through mitigation measures;
- b. For quality assurance where project issues are common to a number of projects and a common approach is needed; or
- c. Where there is a complex project with E&S issue that is uncommon or has not been encountered before and the Lead Specialist needs guidance from colleagues.

3.2.16 Follow the guidance in Annex 3.5.2 on requesting, conducting, and recording a Peer Review Meeting.

3.2.17 For projects with significant adverse impacts, determine if an External Expert is needed to support IFC's supervision, communicate this to the client, and provide a related scope of work.

3.2.18 Determine key performance indicators that will be used to supervise project performance going forward. If follow up field visits are expected to be necessary during supervision (either by IFC staff or External Experts), they should be discussed with the client and Team Leader and at the IRM in accordance with 3.2.21.

3.2.19 Assign an IFC E&S Category to the investment, based on the review conducted so far, that reflects the magnitude of the potential impacts posed as follows:

- a. Category A Projects: Projects with potential significant adverse environmental or social impacts that are diverse, irreversible or unprecedented;
- b. Category B Projects: Projects with potential limited adverse environmental or social impacts that are few in number, site-specific, largely reversible, and readily addressed through mitigation measures; or
- c. Category C Projects: Projects with minimal or no adverse environmental or social impacts.

3.2.20 Record the E&S Category in the ESRD and provide requisite wording for the IRM as outlined in Annex 3.5.1.

3.2.21 Once the appraisal is complete, present and discuss issues and risks at the IRM, as required. Specifically, include the draft ESRS where ready, and the

Action Plan, including Supplemental Actions that have been mutually agreed with the client, as well as the Peer Review recommendations.

3.2.22 At the IRM, the Director of the Industry Department reviews the recommendation on whether BCS is verified. The Lead Specialist will ensure that the outcome of consultations with the Director CES (in accordance with 3.2.12e) are communicated at the IRM.

3.2.23 Where the IRM identifies the need for additional review, conduct it, following any requirements for further clearance that are specified in the IRM. Record any findings in the ESRD.

### **3.3 Responsibilities**

3.3.1 The Lead Specialist is responsible for:

- a. Ensuring that the E&S appraisal is conducted in accordance with this procedure;
- b. Requesting a Peer Review Meeting;
- c. Providing the findings of the review to the Transaction Leader for inclusion in the Decision Meeting documents;
- d. Assigning an E&S category to the project;
- e. Drafting the wording for the Term Sheet;
- f. Drafting the ESRS where applicable; and
- g. Supporting the determination of BCS.

3.3.2 The Transaction Leader is responsible for:

- a. Appraising issues involving security forces, labor, and BCS with the assistance of CESIG; and
- b. Including the E&S wording in the Decision Book and the Term Sheet.

3.3.3 The Manager CESIG is responsible for approving:

- a. Deviations from IFC Environmental Health and Safety Guidelines;
- b. The need for the Peer Review Meeting as requested by the Lead Specialist and ensuring that it is conducted according to provisions of this procedure; and
- c. The appointment and Terms of Reference of External Experts.

### **3.4 Records and Documentation**

3.4.1 The following documents, where present, need to be filed in iDESK and referenced in ESRD in support of the analysis provided:

- a. List of additional assessment activities that the client needs to conduct, where required, including the scope of any additional activities to be filed in iDESK and referenced in ESRD;
- b. Client information provided in response to a questionnaire, such as the AIS, and list of information needs;
- c. Minutes of the Peer Review meeting, including actions taken to address recommendations;
- d. Material Project Assessment Information and Action Plan, including any Supplemental Actions agreed with the client, to ensure that the assessment documents are complete;
- e. Client justification for alternatives to guidelines, where required;
- f. Approval of the terms of reference used for any External Expert; and
- g. Back-to-office report.

3.4.2 The following information needs to be recorded in ESRD and filed in iDESK:

- a. Record of the appraisal covering each Performance Standard, including;
- b. How the client will be meeting the requirements;
- c. Any gaps therein;
- d. The Supplemental Actions the client is required to take to address the gaps;
- e. Project Performance indicators for supervision;
- f. Record of any alternative emission levels or standards that have been accepted; and
- g. PDS-IR wording and Draft Term Sheet input, and the list of Supplemental Actions (or a reference to the same).

## 3.5 Annex

3.5.1 Draft PDS-IR wording.

*[Link provided for staff]*

3.5.2 Procedural Note on Peer Review Meetings.

*[Link provided for staff]*

3.5.3 Procedural Note on Reviewing Free Prior Informed Consultation and Determining BCS.

### Sustainability Policy

Paragraph 20 includes the statement that *"...when clients are required to engage in a process of free, prior, and informed consultation, IFC reviews the client's documentation of the engagement process. In addition, through its own investigation, IFC assures itself that the client's community engagement is one that involves free, prior, and informed consultation and enables the informed participation of the affected*

*communities, leading to broad community support for the project within the affected communities, before presenting the project for approval by IFC's Board of Directors. Broad community support is a collection of expressions by the affected communities, through individuals or their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project. After the Board approval of the project, IFC continues to monitor the client's community engagement process as part of its portfolio supervision."*

### **Performance Standard 1**

Paragraph 22 includes the statement that, *"For projects with significant adverse impacts on affected communities, the consultation process will ensure their free, prior and informed consultation and facilitate their informed participation. Informed participation involves organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the affected communities on matters that affect them directly, such as proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues. The client will document the process, in particular the measures taken to avoid or minimize risks to and adverse impacts on the affected communities."*

### **Performance Standards 7 and 8**

See Performance Standard 7 on Indigenous Peoples, paragraph 8 on free, prior and informed consultation and informed participation of Indigenous Peoples, and paragraphs 12, 13, 14 and 15 providing for the client's obligation to enter into good faith negotiation with the affected communities of the Indigenous Peoples, and to document their informed participation. See also Performance Standard 8 on Cultural Heritage, paragraphs 9 and 11.

### **Two Review Streams**

In the light of the above policy and requirements, broad community support is not something that can be achieved without free, prior and informed consultation and informed participation (although the process of free, prior and informed consultation and informed participation may not, in some cases, lead to BCS). IFC's assessment of BCS therefore involves consideration and data analysis from two review streams, the process and the outcome:

- ➔ **Stream 1** – Has the client conducted free, prior and informed consultation, and enabled the informed participation of affected communities?
  
- ➔ **Stream 2** – What is the level of support and dissent related to the project among the affected communities for the project?

In addition to its consideration data analysis from these two review streams, IFC will also take into account the project context, as described below.

## A Focus on 'Affected Communities'

The requirement on BCS in the Sustainability Policy makes it clear that *"broad community support is a collection of expressions by the affected communities, through individuals, and/or their recognised representatives, in support of the project."* The affected communities are those within the project's area of influence, who will most likely feel the direct impacts of the project. Although the natural focus of the BCS analysis will be on those who will bear the direct burden of the project, the analysis will also include those who will directly benefit from the project, thus enabling a balanced perspective within the project's area of influence. The affected communities are a subset of a broader group of project stakeholders located within the project's area of influence, in the region, host country, or elsewhere. IFC's judgment on BCS involves the views of this subset of project stakeholders. Their identity should be ascertained through the stakeholder identification process of the social and environmental assessment by the client. Where socio-economic baseline data is generated for purposes of the Resettlement Action Plan or the Indigenous Peoples Development Plan, for example, such data will also indicate the presence of affected communities. IFC will review the client's assessment document and available data.

## Gauging Support for the Project

BCS is about whether affected communities are *"in support of the project,"* and not about whether there is a lack of opposition to the project. The term *"the project"* should be interpreted to mean the project being invested in by the IFC, as opposed to the totality of the client's existing operations. Objections by some members of the affected communities will not necessarily negate BCS for the project.

## Review Stream 1 – Has the Client conducted Free, Prior and Informed Consultation and Enabled the Informed Participation of Affected Communities?

The determination (scores) for these considerations will be made against the scaling system used by the Environment and Social Development Department for project supervision.

Material Consideration	Examples of Validation Methods
<p><b>1. Company Strategy, Policy, or Principles on Engagement</b> Strategy, policy, or principles for on-going engagement with explicit mention of project-affected persons and/or communities.</p>	<p>Client's strategy, policy or principles or other supporting documents.</p>

Material Consideration	Examples of Validation Methods
<p><b>2. Stakeholder Identification and Analysis</b></p> <p>As part of the Social and Environmental Assessment process, identification of all project-affected communities, their disaggregation (numbers, locations) in terms of different levels of vulnerability to adverse project impacts and risks, and an analysis of the effect of adverse project impacts and risks on each group. Part of the Social and Environmental Assessment process, this analysis should also look at communities and individuals that will benefit from the project.</p>	<p>Stakeholder analysis document as part of SEIA or SEA.</p> <p>Client's planning documentation for community engagement, e.g. communications strategy, consultation plan, Public Consultation and Disclosure Plans, and stakeholder engagement plan.</p>
<p><b>3. Community Engagement</b></p> <p>A process of consultation that is ongoing during the project planning process (including the process of Environmental and Social Assessment), such that: (a) affected communities have been engaged in: (i) identifying potential impacts and risks; (ii) assessing the consequences of these impacts and risks for their lives; and (iii) providing input into the proposed mitigation measures, the sharing of development benefits and opportunities and implementation issues; and that (b) new impacts and risks that have come to light during the planning and assessment process have also been consulted upon.</p>	<p>Client's schedule and record of community engagement.</p> <p>Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of sub-groups (e.g., women, minorities).</p>
<p><b>4. Information Disclosure</b></p> <p>Timely disclosure by the client of project information by the client to all project-affected communities about the purpose, nature and scale of the project; the duration of proposed project activities; and expected risks, impacts and development benefits that directly affect them. Disclosure should be in a form that is understandable and meaningful.</p>	<p>Client's materials prepared for disclosure and consultation.</p> <p>Client's record of discussions with recognized community representatives; respected key informants; and legitimate representatives of sub-groups.</p>
<p><b>5. Consultation</b></p> <p><b>a) Free</b></p> <p>Evidence from the communities adversely affected by the project that the client or its representatives have not coerced, intimidated or unduly incentivized the affected population to be supportive of the project.</p>	<p>Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups.</p>

Material Consideration	Examples of Validation Methods
<p><b>b) <i>Prior</i></b>            Consultation with affected communities must be sufficiently early in the project planning process: (i) to allow time for project information to be interpreted and comments and recommendations formulated and discussed; (ii) for the consultation to have a meaningful influence on the broad project design options (e.g., siting, location, routing, sequencing, and scheduling); (iii) for the consultation to have a meaningful influence on the choice and design of mitigation measures, the sharing of development benefits and opportunities, and project implementation.</p> <p><b>c) <i>Informed</i></b>            Consultation with affected communities on project operations and potential adverse impacts and risks, based on adequate and relevant disclosure of project information, and using methods of communication that are inclusive (i.e., accommodating various levels of vulnerability), culturally appropriate, and adapted to the communities' language needs and decision-making, such that members of these communities fully understand how the project will affect their lives.</p>	<p>Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Client's record of discussions with recognized community representatives; respected key informants; and legitimate representatives of sub-groups.</p>
<p><b>6. Informed Participation</b>            Evidence of the client's organized and iterative consultation, leading to the client's specific decisions to incorporate the views of the affected communities on matters that affect them directly, such as the avoidance or minimization of project impacts, proposed mitigation measures, the sharing of project benefits and opportunities, and implementation issues.</p>	<p>Client's schedule and record of community engagement.</p> <p>The client's documentation of measures taken to avoid or minimize risks to and adverse impacts on affected communities in response to community feedback received during consultation.</p> <p>Drafts of Action Plan.</p>
<p><b>7. Vulnerable Groups – Consultation and Mitigation</b>            Evidence that individuals or groups particularly vulnerable to adverse project impacts and risks have been party to effective prior, free and informed consultation as well as informed participation, and evidence that the potential impacts and specific or exacerbated risks to them will be mitigated to the satisfaction of</p>	<p>Stakeholder analysis as part of SEIA or SEA or socio-economic baseline data.</p> <p>Client's record of community engagement, including record of discussions with legitimate representatives of vulnerable groups.</p> <p>Client's documentation of measures</p>

Material Consideration	Examples of Validation Methods
these parties.	<p>taken to avoid or minimize risks to and adverse impacts on vulnerable groups in response to feedback received during consultation.</p> <p>Drafts of Action Plan.</p>
<p><b>8. Grievance Mechanism – Structure, Procedure, and Application</b></p> <p>An effective grievance mechanism procedure, that is fully functioning: (i) throughout the process of environmental and social assessment; and (ii) that is suitable for the operational phase of the project to receive and address the affected communities' concerns about the client's social and environmental performance. The mechanism should be culturally appropriate, readily accessible to all segments of the affected communities, and available to affected communities at no cost and without retribution.</p>	<p>Client's organizational structure and responsibilities, and procedures for managing grievances.</p> <p>Client's record of grievances received about the project and addressed, including expressions in support or dissent.</p> <p>Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups.</p>
<p><b>9. Feedback to affected communities</b></p> <p>Documentation that the client provided the results of consultation to the project-affected communities, and either: (i) demonstrated how the comments and recommendations made by the project-affected communities have been accommodated in the project design, mitigation measures, and/or sharing of development benefits and opportunities; or (ii) provided a rationale why these comments and recommendations have not been accommodated.</p>	<p>Client's record of community engagement.</p> <p>Client's documentation of measures taken to avoid or minimize risks to and adverse impacts on affected communities.</p> <p>Discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Client's ongoing reporting on implementation of Action Plan.</p> <p>Revised management program or Action Plan.</p>

The client may also use perception surveys to pose questions to affected communities and solicit their responses.

**Review Stream 2 - What is the level of support and dissent among the affected communities for the project?**

The approach is to document the degree of support for, or against, a project based on an accumulation of "material considerations." These are factors considered by IFC to form a judgement whether or not there is broad community support. All evidence for each material consideration is taken into account. In addition, IFC will analyze the context of the project (see the context table below).

Material Consideration	Method of Validation
<p><b>1. Formal Expressions of Support or Objection</b></p> <p>A collection of expressions of support or dissent for the project that have arisen through existing, formal, institutional and/or democratic processes.</p>	<p>Minutes of meetings of elected local government, village council, council of elders, etc.</p> <p>Meeting minutes of other existing and respected community bodies.</p> <p>Results of a formal referendum.</p> <p>Local and community elections won on popular mandates, with explicit reference in the manifesto and campaigning messages of the winning parties to a particular opinion about the project.</p>
<p><b>2. Informal Expressions of Support or Objection</b></p> <p>A collection of expressions of support or dissent for the project rising through discussions or negotiations undertaken explicitly in relation to the project with informal or tradition institutions, non-elected community leaders or elders, and other informal representatives of the affected community.</p> <p>Evidence of organized support or dissent for the project (or for the project) undertaken by project-affected communities, with high relative levels of participation by: (i) the affected community as a whole; or (ii) by sub-groups particularly affected by the project.</p>	<p>Written agreements, MoUs, MoAs, Heads of Agreement, Letters of Intent, Joint Statement of Principles, etc.</p> <p>Client records, photographs, media reports, personal letters or third party accounts, etc., regarding events/demonstrations/other activities for the project undertaken by project-affected communities, with high relative levels of participation by: (i) the affected community as a whole; or (ii) by sub-groups particularly affected by the project.</p>
<p><b>3. Evidence of Good Faith Negotiations (see Performance Standards 7 and 8)</b></p> <p>A collection of expressions of support or dissent for the project have resulted from negotiations that contain the elements of good</p>	<p>One-to-one interviews with those involved in the negotiations.</p> <p>Agreements reached with affected households or groups.</p> <p>Written agreements, MoUs, MoAs, Heads of Agreement, Letters of Intent, Joint Statement of Principles, Community</p>

Material Consideration	Method of Validation
faith negotiation (see Guidance Note 7)	Development Plan / Indigenous Peoples Development Plan, Benefits Sharing Agreement, or other documents that capture the outcome of the good faith negotiations.

### **Analysis of Contexts**

The following factors are also taken into account by IFC, as part of its analysis of the project context:

Material Consideration	Method of Validation
<p><b>1. Net Benefits</b></p> <p>Evidence that project-affected communities are in receipt of or can be expected to receive net benefits as a result of the project (disaggregated by subgroups, including vulnerable groups).</p>	<p>Qualitative or quantitative analysis of potential impacts and expected benefits, such as:</p> <ul style="list-style-type: none"> <li>• Improvement in living standards.</li> <li>• Employment opportunities accessible to affected-population (e.g., numbers, pay level, duration).</li> <li>• Community development commitments.</li> <li>• Special circumstances, e.g., resettlement, indigenous peoples.</li> </ul>
<p><b>2. Legal Framework / Public Policy Considerations</b></p> <p>Legal framework and/or public policy considerations that provide support or dissent to the project.</p>	<p>Approved development and land use plans.</p> <p>Local authority ordinances and bylaws.</p> <p>Public security policy.</p> <p>Economic policy at the local, regional, and/or national level.</p>
<p><b>3. Local and National Political Considerations</b></p> <p>Extent to which the opinions of communities are influenced by (i) local or national politics (e.g., the electoral cycle); or (ii) organizations and stakeholders external to the project area.</p>	<p>Discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups (e.g., women, minorities).</p> <p>Media reports.</p> <p>Discussions with local or national chambers of commerce, religious leaders, relevant regulatory agencies, ministerial representatives, members of the legislature, etc.</p>

Material Consideration	Method of Validation
<p><b>4. IFC's Value Addition</b>            Analysis of IFC's value addition to the project (as compared to the project if it proceeded without IFC funding).</p>	<p>Qualitative or quantitative analysis of expected benefits and programs identified and recommended by IFC during its project review, such as:</p> <ul style="list-style-type: none"> <li>• Improvement in living standards.</li> <li>• Employment opportunities accessible to affected-population (e.g., numbers, pay level, duration).</li> <li>• Community development commitments.</li> <li>• Special circumstances, e.g., resettlement, indigenous peoples.</li> </ul>

3.5.4 ESRS template.  
*[Link provided for staff]*

## **4 DIRECT INVESTMENTS: IFC'S DISCLOSURE REQUIREMENTS AND COMMITMENT**

### **4.1 Purpose and Applicability**

4.1.1 This procedure describes the E&S review process during the negotiation stage of the IFC project cycle for Direct Investment projects up to the signing of the legal agreements. It covers the following steps:

- a. IFC's public disclosure of the SPI and the ESRS prior to Board/Management Approval;
- b. Provide input for the drafting of legal agreements; and
- c. Responding to comments and inquiries during the IFC disclosure period prior to Board consideration of the investment.

### **4.2 Procedure**

4.2.1 For Category C projects, provide to the Transaction Leader the rationale for the categorization to be included in the SPI. The SPI must be reviewed by the client for factual content and then released on IFC's Web site, and to the World Bank's InfoShop not less than thirty (30) days prior to the consideration of the investment by IFC's Board of Directors/Management. Consider potential opportunities to help the client enhance E&S outcomes, including access to various IFC-sponsored technical and financial assistance funds or programs. To process such opportunities for IFC value additions, initiate the steps in Procedure No. 5.

4.2.2 For Category A and B investments, finalize the ESRS and provide wording for the SPI as per Annex 4.5.1 and 4.5.2, based on the analysis recorded in the ESRD and in accordance with IFC's Disclosure Policy. Where a project has to carry out Supplemental Actions, these actions will be described and form part of the ESRS. In cases where the client is required to conduct Free Prior Informed Consultation, the ESRS will make that clear, and the corresponding SPI will state that IFC will need to determine whether BCS exists.

4.2.3 Submit the ESRS to the client for review (the Transaction Leader will handle the SPI clearance) and obtain the client's written approval to release the ESRS to IFC's Web site and the InfoShop.

4.2.4 If there are any other multilateral investors, including IBRD and MIGA, seek to ensure coordination among the client's disclosure requirements, those of IFC and those of the other investors.

4.2.5 Submit the ESRS for approval to the Team Leader before it is submitted for disclosure. If the Team Leader is also the Lead Specialist for the

project, a Senior Specialist not involved with the project will be nominated to clear the ESRS. The Manager CESIG should also clear the ESRS for Category A projects.

4.2.6 Provide the wording for the SPI to the Transaction Leader for disclosure at the InfoShop as per the timelines specified below. This can be concurrent with the ESRS as indicated in Procedure 4.2.7.

4.2.7 Disclose the ESRS at the InfoShop by releasing the ESRS electronically to IFC's Web site, including links or references to relevant client Project Assessment Information that is referenced in the ESRS. The client's Project Assessment documentation and Action Plan, must be attached to the ESRS, with links to the client's Web site provided, where available.

4.2.8 Disclosure of the SPI and ESRS and any supporting documents must occur prior to consideration of the investment by IFC's Board of Directors/Management:

- a. Not less than sixty (60) days for Category A projects, and
- b. Not less than thirty (30) days for Category B projects.

4.2.9 Where there are any inquiries or complaints raised during the disclosure period, carry out the steps as outlined below:

- a. For inquiries raised during the disclosure period that relate to IFC at an institutional level and to issues that are not environmental or social, the Transaction Leader should respond to the inquiry. Inquiries that request information from IFC, along with IFC's response to the request, must be logged with Corporate Relations, in accordance with IFC's Disclosure Policy. The Transaction Leader is responsible for preparing the response to the request for information, but may seek guidance from Corporate Relations in applying IFC's Disclosure Policy; and
- b. Complaints pertaining to environmental or social issues should be communicated to the Team Leader and the Manager CESIG for further action in accordance with the IFC Disclosure Policy and for possible referral to the CAO.

4.2.10 Additional material may be added to the public release for a project at any time during the life of the project. In cases where this is done after the ESRS or SPI has been released and before Board approval, and that involve new or relevant information in regard to a Performance Standard that would change the adverse risks or impacts described in the ESRS, or the anticipated development impacts of the investment, then the disclosure time (30 or 60 days) will be restarted in accordance with the Disclosure Policy to achieve a complete disclosure for the required time periods.

4.2.11 Vice President (VP) Industry may issue a waiver of the required time period for disclosure of the SPI and the ESRS in circumstances where the minimum time period cannot be met (such as market timing requirements, e.g., participation in an Initial Public Offering). In such cases, in accordance with IFC's Disclosure Policy, the Board must be informed of any such deviation.

4.2.12 Develop a draft template for the E&S Annual Monitoring Report (AMR) that will be reviewed and agreed with the client. Tailor the format to address the Applicable Performance Requirements as identified in Procedure No. 2 (Direct Investments: Early Review and Project Screening) and Procedure No. 3 (Direct Investments: Appraisal). The AMR should incorporate the performance indicators identified in Procedure 3.2.18. It should also include reporting on the status of the Action Plan, including any Supplemental Actions, if applicable. In the event that reporting is required more frequently than once a year, this should also be agreed with the client. Where possible IFC's reporting requirements should take advantage of any other reporting by the client:

- a. Discuss with the client opportunities for publicly available non-financial reporting and document in the ESRD; and
- b. The AMR should be included as a requirement in the legal agreements.

4.2.13 For investments in market instruments and equity investments as defined in Procedure 2.2.2b, and where the transaction structure precludes IFC from obtaining any special reports such as an AMR, the Lead Specialist will document an alternative approach to supervision of such projects that will be cleared by the Manager CESIG.

4.2.14 Prepare E&S wording for the Board Paper:

- a. For Category B projects, provide an ESCM as per Annex 4.5.5 and copy the Manager CESIG. Provide support, as necessary, to the project team for project presentations and briefings to the Board;
- b. For Category A projects, prepare the ESCM as per Annex 4.5.5 and submit to the Manager CESIG for approval before the project is submitted for Board/Management consideration; and
- c. In cases where BCS is required, the ESCM and the Board paper should include the recommendations on the status of BCS and any decision that may have been taken on this in the IRM. For projects that have been subject to Peer Review, ensure that the recommendations contained in the Peer Review Minutes have been taken into account in the ESCM where relevant.

4.2.15 Provide input to the drafting of legal agreements. In addition to a general covenant requiring client compliance with the IFC PPS, provide specific

references to the principal components of the client's Action Plan, including any references to specific performance criteria from IFC:

- a. Project specific performance criteria as described in paragraph 3.2.18. In addition, the client or the project must agree to avoid amending the Action Plan without IFC's agreement, to provide AMRs, and to notify IFC of any serious incidents or fatalities related to the project;
- b. Actions that IFC may support to improve the client's performance beyond compliance with the IFC PPS are not normally covenanted unless they are considered to be conditions of IFC's support; and
- c. For investments in market instruments and early stage equity investments, where IFC has no special rights to influence project performance, IFC may examine opportunities for exit from the investment in the event that the project is found to be in non-compliance with the IFC-PPS.

### **4.3 Responsibilities**

4.3.1 The Lead Specialist is responsible for:

- a. Providing the Transaction Leader with the E&S wording for the SPI;
- b. Determining the suitability of social and environmental assessment documentation for posting on the IFC Web site;
- c. Determining whether the client has met the disclosure requirements as per the IFC PPS;
- d. Provide the Team Leader with the ESCM;
- e. Preparing the ESRS for category A and B projects and disclosing it in accordance with IFC's Disclosure Policy;
- f. Supporting the Transaction Leader in responding to external inquiries from NGOs and other affected stakeholders concerning IFC's E&S Review;
- g. Providing inputs to the Board Paper and legal agreements; and
- h. Customizing the AMR template based on project impacts.

4.3.2 The Transaction Leader is responsible for:

- a. Ensuring that the team lawyer incorporates the inputs from the Lead Specialist into the legal agreements;
- b. Incorporating the E&S inputs provided by the Lead Specialist into the SPI, and disclosing the SPI in accordance with IFC's Disclosure Policy;
- c. Communicating with the client and obtaining a response as required in this procedure;
- d. Seeking, where required, a waiver of the disclosure requirements, from VP Industry; and
- e. Responding to external inquiries.

- 4.3.3 The Manager CESIG is responsible for:
- a. Clearing the Category A ESRS and ESCMs; and
  - b. Clearing any alternative supervision requirements.

#### **4.4 Records and Documentation**

- 4.4.1 The ESRS, and the list of Supplemental Actions or the updated Action Plan filed in iDESK and referenced in the ESRD.
- 4.4.2 Where required, the client's Project Assessment documents to be posted on the IFC Web site, and referenced in the ESRD.
- 4.4.3 Client letter acknowledging the ESRS to be filed in iDESK and referenced in the ESRD.
- 4.4.4 All external stakeholder communications to be filed in iDESK and referenced in the ESRD.
- 4.4.5 Board Paper to be referenced in the ESRD.
- 4.4.6 Investment Agreement to include the E&S wording referenced in the ESRD.
- 4.4.7 Project-specific AMR and Action plan where required, filed in iDESK and referenced in the ESRD.

#### **4.5 Annexes**

- 4.5.1 SPI E&S wording for Category A and B projects.  
[Link provided for staff]
- 4.5.2 ESRS template.  
[Link provided for staff]
- 4.5.3 Client ESRS release letter template.  
[Link provided for staff]
- 4.5.4 AMR template.  
[Link provided for staff]
- 4.5.5 ESCM template.  
[Link provided for staff]

## **5 DIRECT INVESTMENTS: MOBILIZING ADDITIONAL RESOURCES**

### **5.1 Purpose and Applicability**

5.1.1 This procedure describes the E&S process for mobilizing additional resources, beginning at the appraisal stage of the IFC project cycle, for Direct Investment projects. It is carried out concurrently with the E&S review procedures following appraisal. It covers the following steps:

- a. Identification of value-added activities. In most instances access to donor funds depends upon identification of support that goes beyond basic compliance with the IFC PPS and that add value to E&S components of an IFC investment; and
- b. Sourcing of funds to contribute to those activities. Activities associated with this effort are typically conducted simultaneously with IFC's project appraisal but can also occur later in the project cycle.

5.1.2 This procedure is followed where opportunities have been identified and discussed with the client, and where an agreement has been reached with the client to pursue assistance funding in accordance with Procedure No. 3.

### **5.2 Procedure**

5.2.1 Building on potential opportunities identified in Procedures 4.2.1 and 3.2.10 to help the client enhance E&S outcomes beyond basic compliance with the IFC PPS, confirm the client's commitment to participate in the activity.

5.2.2 Discuss the potential activity with the regional and/or industry department to ensure consistency with their strategies.

5.2.3 Determine potential funding sources. These may include FMTAAS, IFC Technical Assistance Trust Funds (TATF), and such IFC facilities as the Corporate Citizenship Facility (CCF), the Environmental Opportunities Facility (EOF), the IFC-Netherlands Carbon Fund, or other internal or external sources of financing.

5.2.4 Obtain the relevant regional Director's approval for the proposed activity following the appropriate procedure in iDESK for TAAS projects.

5.2.5 Draft the ToR for the activity, based on input from the Transaction Leader.

5.2.6 Follow the Technical Assistance and Advisory Services (TAAS) PDS-ER process for obtaining wider approval for the proposed value-added effort.

5.2.7 Following the TAAS PDS-ER approval, begin detailed discussions with representatives of the funding source(s) to verify eligibility for funding, to provide advice on likely donors, and to help locate consultants. Establish clear expectations for the timing of donor approval, contracting, and mobilization. Prepare a detailed proposal for funding assistance, if required.

5.2.8 Create a Technical Assistance Project Profile (TAPP) for consideration by the Technical Assistance and Trust Fund (TATF) committee. Once the committee has provided preliminary approval, follow the funding assistance process, including preparation of a request for proposal (RFP), selection of consultants, and contracting.

5.2.9 Manage the implementation of the activity, as required in accordance with the internal procedure of the funding department's or other funding source.

### **5.3 Responsibilities**

5.3.1 The Lead Specialist is responsible for:

- a. Managing the administrative and technical tasks;
- b. Securing management approval for the proposed project; and
- c. Providing support and guidance to the project, including, where required, managing external consultants.

5.3.2 The Transaction Leader is responsible for:

- a. Providing information on defining country strategies and reviewing the proposed activity to ensure consistency with such strategies; and
- b. Providing commercial, financial and economic data and supporting documents to assist with securing the required funds.

### **5.4 Records and Documentation**

5.4.1 Activity description and terms of reference recorded in the ESRD.

5.4.2 Funding assistance proposal filed in iDESK and referenced in the ESRD.

5.4.3 Consultant ToR and RFP, if needed, filed in iDESK and referenced in the ESRD.

5.4.4 Copies of consultant proposals, if needed, filed in iDESK and referenced in the ESRD.

5.4.5 Records per the requirements of the funding activity referenced in the ESRD.

5.4.6 Implementation documents referenced in the ESRD.

## **5.5 Annexes**

5.5.1 Suggested list of areas for value-added activities.  
*[Link provided for staff]*

5.5.2 Work Product disclaimer wording.  
*[Link provided for staff]*

5.5.3 Sample funding assistance proposal.  
*[Link provided for staff]*

5.5.4 Sample ToRs, RFPs.  
*[Link provided for staff]*

5.5.5 TAAS – front sheet of a TAAS project created in iDESK – required to initiate all projects that will provide assistance to IFC investment projects.

5.5.6 TAAS PDS-Early Review – front sheet example of this document, which must be generated for wider management approval before beginning to follow the funding sources administrative steps for obtaining and applying funds.

5.5.7 TAPP –Technical Assistance Project Proposal (example for TATF funding sources). A proposed project explanation document that would be required by the Trust Funds Department for internal and external donor consideration of the value-added project.

## **6 DIRECT INVESTMENTS: SUPERVISION**

### **6.1 Purpose and Applicability**

6.1.1 This procedure describes the E&S review process during the supervision stage of the IFC project cycle for Direct Investment projects. It covers the period from commitment until the project is closed as an IFC investment. It covers the following steps:

- a. Ensuring that any E&S CODs are met by the client prior to the disbursement;
- b. Conducting ongoing review of the E&S performance of the investment as per the conditions of the legal agreements, including:
  - b.1 Review of the AMR;
  - b.2 Support to the Transaction Leader in responding to information or client notification of any serious incident or fatality related to the project;
  - b.3 Review of the client's implementation of the Action Plan including any Supplemental Actions;
  - b.4 Review of the client's E&S compliance, including public consultation, disclosure and monitoring requirements;
  - b.5 Review of the project's performance with reference to the project performance indicators; and
  - b.6 Calculation of Environmental and Social Risk Rating (ESRR).
- c. Responding to any inquiries and complaints or requests for information;
- d. Providing inputs to Project Supervision Reports (PSRs) and Expanded Project Supervision Reports (XPSRs);
- e. Supporting CAO in the implementation of its work; and
- f. Responding to gaps and shortfalls in project performance.

### **6.2 Procedure**

6.2.1 After the legal agreements have been executed and where there are E&S CODs to be completed prior to certain disbursements, obtain requisite information from the Transaction Leader to determine the status of their fulfillment. Inform the Transaction Leader if there are any E&S CODs not complied with, based on the above review. Waivers of E&S CODs should be cleared by the Manager CESIG and documented in the ESRD.

6.2.2 Where a project has not submitted an AMR and is in a financial, legal, or administrative dispute with IFC that may impair IFC's ability to access the information required for supervision of the project, obtain confirmation from the

Transaction Leader regarding the same. Determine whether the project supervision should be postponed or terminated as indicated below:

- a. Where the dispute is considered temporary and resolvable by the Transaction Leader, the project supervision may be considered for postponement;
- b. Where the dispute is considered either permanent or irresolvable, the project supervision activities may be considered for termination or suspension and communicate the findings to the following:
  - b.1 A recommendation should be made to the Manager CESIG and the investment department Portfolio Manager for a decision to postpone, suspend, or terminate supervision by IFC.
  - b.2 Record the decisions and supporting analysis in the ESRD.

6.2.3 Obtain the client's AMR. Ensure the following:

- a. The information provided is adequate. If not, request additional information from the client through the Transaction Leader; and
- b. The report has been submitted according to the timeframes specified in the legal agreement. If the report has been submitted late, ask the Transaction Leader to communicate the need for timely reporting to the client.

6.2.4 Review the AMR, focusing on:

- a. The client's performance against the requirements of the investment agreement in particular and the IFC PPS in general;
- b. The status of the client's implementation of the Action Plan, including any Supplemental Actions;
- c. The status of the client's ESMS;
- d. The status of the client's community engagement process, including ongoing local disclosure, consultation and any participatory monitoring or reporting obligations;
- e. The status of performance, based on the performance indicators as determined in Procedure 3.2.18;
- f. Key performance gaps relating to the client's performance, the Action Plan including Supplemental Actions, or ESMS;
- g. Key steps the client may need to take to improve its performance;
- h. Previous AMR reviews and ESRR scores;
- i. Serious incidents and accidents to confirm whether they were reported in accordance with the legal agreements and to determine whether a consistent pattern emerges and follow up action is required with the client; and
- j. Recommendations that may have been made by CAO;

6.2.5 When the client reports serious incidents or fatalities to IFC, inform the Transaction Leader and the Manager CESIG. Follow up with the client to ensure that the root cause of the incident is being investigated and appropriate corrective action is taken to prevent recurrence.

6.2.6 In exceptional circumstances, where a AMR review or supervision visit, or information provided from other sources, indicates that the disclosure of certain non-public information would be likely to avert imminent and serious harm to public health or safety, and/or imminent and significant adverse impacts on the environment, immediately inform the client to take suitable action and record the findings in the ESRD. In the event that the client is unable to address the matter, inform the Transaction Leader and consult with the Manager CESIG, and prepare recommendations to the Director CES for action in accordance with IFC's Disclosure Policy.

6.2.7 Calculate the ESRR to provide an indication of the current level of E&S risk associated with the project.

6.2.8 Record the AMR review in the ESRD and file in iDESK, referencing the client's AMR, the ESRR, and any other records.

6.2.9 Based on the AMR review, prepare E&S wording for the PSR being prepared by the Investment Department, as per Annex 6.5.1. Describe any key deficiencies that need corrective action.

6.2.10 Communicate the key deficiencies to the client and request corrective action.

6.2.11 Determine the need for a supervision site visit based on the ESRR and any other factors. Conduct a site visit, or use an External Expert (if provided for in Procedure 3.2.17) for the visit, and agree on Supplemental Actions with the client. Record the key findings of the supervision visit in the ESRD, referencing the BTO or External Expert's report. Record any new issues that would need to be monitored in the future.

6.2.12 If the project is being evaluated as part of IFC's XPSR program, provide written input to the document. If the project's XPSR is being evaluated by IFC's Independent Evaluation Group (IEG), provide support to the project team as needed, recording all key findings, decisions, and supporting analysis in the ESRD.

6.2.13 If during the supervision phase of a project, a complaint is filed and accepted with the CAO, inform the Director CES and the Manager CESIG immediately. In consultation with the Manager CESIG, carry out the following steps:

- a. Cooperate with the CAO staff;
- b. Communicate the process to the client and keep them informed of the CAO's investigation;
- c. Once the CAO has drafted a report, ask the Transaction Leader to coordinate with the project team and the client to review the report for accuracy, and to provide further information to the CAO as needed.
- d. Submit the draft response and comments to the Manager CESIG for review, before it is submitted to the CAO; and
- e. The Transaction Leader should ask the CAO's office to post the IFC project team's response to the CAO's draft report on the CAO's Web site.

### **6.3 Responsibilities**

6.3.1 The Transaction Leader is responsible for:

- a. Requesting, obtaining, and providing the AMR to the Lead Specialist;
- b. Communicating to the client any data deficiencies and/or Supplemental Actions identified by the Lead Specialist;
- c. Incorporating E&S wording into the PSR and XPSR;
- d. Notifying the Lead Specialist, the Manager of the Investment Department and Corporate Relations, as needed, of any incidents;
- e. Notifying the client when the CAO has accepted a complaint;
- f. Coordinating a project team response to a CAO complaint; and
- g. Notifying the Lead Specialist if there is a change in the status of the legal agreement, including loan prepayment, assignment or sale of the loan to another party, or change in equity ownership.

6.3.2 The Lead Specialist is responsible for:

- a. Reviewing the AMR to determine E&S performance and documenting this in iDESK;
- b. Providing PSR and XPSR E&S wording to the Transaction Leader;
- c. Conducting site visits or retaining a consultant to conduct these on IFC's behalf;
- d. Notifying the Manager CESIG of major incidents and complaints accepted by the CAO; and
- e. Providing input to the Transaction Leader for responses to complaints accepted by the CAO.

6.3.3 The Manager CESIG is responsible for:

- a. Clearing waiver of E&S CODs;
- b. Making recommendation to the Director of CES in relation to action required in response to exceptional circumstances (paragraph 6.2.5);  
and
- c. Reviewing CES input for responses to CAO investigations.

#### **6.4 Records and Documentation**

- 6.4.1 AMR submitted by client to be filed in iDESK.
- 6.4.2 AMR review to be recorded in the ESRD.
- 6.4.3 ESRR scoresheet to be filed in iDESK.
- 6.4.4 Where conducted, file the site visit BTO on iDESK.
- 6.4.5 XPSR E&S performance review wording, if required.
- 6.4.6 Consultant ToR, RFP, and consultant report, if required.
- 6.4.7 (Optional) Corrective Action documentation.

#### **6.5 Annexes**

- 6.5.1 PSR wording  
*[Link provided for staff]*

## **7 FINANCIAL INTERMEDIARY INVESTMENTS: EARLY REVIEW AND APPRAISAL**

### **7.1 Purpose and Applicability**

7.1.1 This procedure specifies the E&S review process for Financial Intermediary Investments leading up to the IRM. It covers the steps for:

- a. Establishing the Applicable Performance Requirements to be applied by the FI to its projects; and
- b. Determining the adequacy of the FI's ESMS to meet the Applicable Performance Requirements above and addressing any gaps in these systems.

### **7.2 Procedure**

7.2.1 Obtain preliminary information on the FIs portfolio from the Transaction Leader, as provided in Annex 7.5.7.

7.2.2 For projects where IFC has an existing investment and the following conditions apply, the FI will retain the E&S category of the existing investment, with the requirements being extended to cover the tenor of the proposed investment:

- a. IFC has previously conducted an E&S review that is consistent with the IFC PPS;
- b. The existing investment has been supervised within the previous 12 months, with its performance determined to be in compliance with the IFC PPS;
- c. The new investment will not result in any material change in the potential E&S impacts associated the FI portfolio that is being supported by IFC; and

7.2.3 Provide wording for MOR, PDS-IR, and the supervision requirements as per Annex 7.5.1 and go to Procedure No. 8.2.1.

7.2.4 For projects where IFC is considering investment in a market instrument issued by the FI, review available information to determine whether the underlying sub-projects in the FI's portfolio are expected to be implemented and operated in a manner that will meet the requirements of the IFC PPS. Based on this review, proceed as outlined below:

- a. If the FI portfolio is expected to meet the IFC PPS, record the decisions and supporting analysis in the ESRD, classify the project as

category FI, provide wording for the MOR and PDS-IR as per Annex 7.5.2. and go to Procedure 8.2.1;

- b. If the information provided is inadequate, request additional information from the Transaction Leader and repeat this procedure until adequate information is available;
- c. If the FI portfolio is not expected to meet the IFC PPS as applicable to FIs, inform the Team Leader and the Transaction Leader about the status and provide MOR wording as indicated in Annex 7.5.3; and
- d. For all other investments go to Procedure No 7.2.1.

7.2.5 For FI investments where:

- a. The FI is engaged only in Retail Operations and has no plans to engage in any other business in the future, or IFC's financing to the FI is intended only for Retail Operations:
  - a.1 Categorize the project as a Category C investment, record the decision and supporting analysis in the ESRD, notify the Team Leader and Transaction Leader, provide wording for the MOR and PDS-IR as indicated in Annex 7.5.4, and go to Procedure 8.2.1.

7.2.6 For FI investments where:

- a. The FI is engaged in supporting only microfinance, trade finance, or general insurance or is investing in listed equities; or
- b. IFC's financing is intended only to support the FI's investments in these areas, categorize the project as FI, only requiring the application of an exclusion list; record the decision and supporting analysis in the ESRD; and provide wording for the MOR, as indicated in Annex 7.5.5.

7.2.7 Where the FI is engaged in providing equity, loans, leasing, guarantee products, or other financing to:

- a. Corporate or legal entities other than individuals, or for other activities that are expected to have potential E&S impacts:
  - a.1 Categorize the project as FI, requiring the application of the national E&S regulations and possibly the IFC PPS; record the decision and supporting analysis in the ESRD; and provide wording for the MOR as indicated in Annex 7.5.6.

7.2.8 Provide E&S wording to the Transaction Leader for inclusion in the mandate letter that lists the conditions of IFC participation. This should include:

- a. Applicable Performance Requirements, and

- b. For projects meeting the requirements outlined in Procedure 7.2.7, an indication that the IFC PPS may be applicable.

7.2.9 If requested by the Transaction Leader, participate in the CIC meeting and respond to E&S inquiries from the CIC.

7.2.10 For all FI investments other than those defined in Procedure 7.2.7 go to Procedure 7.2.13. For projects meeting the requirements outlined in Procedure 7.2.7:

- a. Obtain further information regarding the FI's portfolio as outlined in Financial Intermediary Portfolio Questionnaire in Annex 7.5.8 and the FI sectors of investment in Annex 7.5.9; and
- b. If IFC is considering an equity investment in the FI, also obtain information on the client's 10 largest exposures as per the format in Annex 7.5.10.

7.2.11 Determine the significance of business activities that have potential E&S impact by reviewing the portfolio and sectoral information. Determine the Applicable Performance Requirements as outlined below:

- a. All FIs will ensure that their investments are not in contravention of an IFC Exclusion List;
- b. Where the FI provides short-term finance, such as working capital finance, the FI will ensure that its investments are in compliance with the applicable national laws and regulations; and
- c. Where the FI provides equity and long-tenor debt, review the transaction sizes and the industrial sectors where the FI is investing. In addition:
  - c.1 Where the portfolio review indicates that the FI's investments are expected to have minimal E&S impact, the FI will ensure that its sub-projects meet the applicable national laws and regulations.
  - c.2 Where the portfolio review indicates that the FI's investments could have potentially significant E&S impact, the FI will ensure that its sub-projects meet the relevant elements of the IFC PPS in addition to applicable national laws and regulations.

7.2.12 Record the decision about the Applicable Performance Requirements and any supporting analysis in the ESRD, and communicate this decision to the Transaction Leader for communication to the client. Where the Applicable Performance Requirements include the IFC PPS, ensure that the Transaction Leader has provided a copy of the IFC PPS to the client.

7.2.13 Request and obtain information about the client's ESMS as provided in questionnaire 7.5.11.

7.2.14 Where the Applicable Performance Requirements, as determined in Procedure 7.2.11, includes the IFC PPS, and where it is considered necessary to review further the client's ESMS, carry out a field visit to the FI.

7.2.15 Review the client's E&S Management System, considering its adequacy to implement the Applicable Performance Requirements. Consider the following aspects of the client's system, as relevant:

- a. E&S policies and procedures;
- b. The current organizational structure and staffing;
- c. Skills and competencies in E&S areas;
- d. Training and awareness of the client's investment, legal, and credit officers on the organization's EHS requirements and the ESMS;
- e. Reporting of results to management; and
- f. Track record to date in ESMS.

7.2.16 Identify any Supplemental Actions the client may need to take in order to address gaps in these areas. Record the decision and supporting analysis in the ESRD and provide wording for the PDS-IR to the Transaction Leader.

7.2.17 Ask the Manager CESIG to call for a Peer Review Meeting in cases where:

- a. There are project issues that are common to a number of projects and that need a common approach for quality assurance; or
- b. There is a complex project E&S issue that is uncommon or has not been encountered before.

7.2.18 Guidance on conducting and recording a Peer Review Meeting is provided in Annex 3.5.2.

7.2.19 Determine the key performance indicators that will be used to supervise the project performance going forward. Record these in the ESRD.

7.2.20 Record all material decisions and supporting analysis in the ESRD and provide wording for the draft Term Sheet.

7.2.21 Where required, identify the need to engage an External Expert to support IFC's supervision, provide the scope of work where applicable, record the decision in ESRD, and communicate this information to the Transaction Leader.

7.2.22 If required, participate in the IRM and respond to any queries.

### **7.3 Responsibilities**

7.3.1 The Transaction Leader is responsible for:

- a. Providing all required client information about the client's business and its portfolio as provided in Annex 7.5.7, 7.5.8 and 7.5.11, to the Lead Specialist; and
- b. Communicating the Applicable Performance Requirements and the IFC PPS to the client.

7.3.2 The Lead Specialist is responsible for:

- a. Reviewing the project information;
- b. Determining the Applicable Performance Requirements;
- c. Requesting a PRM, when required; and
- d. Providing the requisite wording for the MOR ensuring that the E&S risks are adequately addressed, and PDS-IR and the Term Sheet.

### **7.4 Records and Documentation**

7.4.1 The following information is to be filed in iDESK and referenced in the ESRD:

- a. Financial Intermediary Business Lines;
- b. Financial Intermediary Portfolio;
- c. Financial Intermediary ESMS information;
- d. The signed commitment letter accepting the Applicable Performance Requirements;
- e. MOR wording;
- f. Commitment letter wording;
- g. PDS-IR wording; and
- h. Draft Term Sheet wording

7.4.2 The following information needs to be recorded in ESRD and filed in iDESK:

- a. Record of the review and appraisal covering:
  - a.1 The rationale for the determination of the Applicable Performance Requirements;
  - a.2 The findings of the review of the FI's ESMS and any gaps therein; and
  - a.3 Any Supplemental Actions required to be taken by the client to address the gaps.
- b. Project performance indicators for supervision; and

- c. Wording provided for the MOR and PDS-IR.

## 7.5 Annexes

- 7.5.1 Suggested wording for repeat investments.

*[Link provided for staff]*

- 7.5.2 Suggested wording for investment in market instruments by FIs expected to meet IFC PPS.

*[Link provided for staff]*

- 7.5.3 Suggested wording for investment in market instruments issued by FIs, not expected to meet IFC PPS.

*[Link provided for staff]*

- 7.5.4 Suggested wording for FIs classified as Category C.

MOR/PDS-IR wording.

*[Link provided for staff]*

SPI wording.

*[Link provided for staff]*

- 7.5.5 Suggested wording for FIs that only need to apply an exclusion list.

MOR/PDS-IR wording.

*[Link provided for staff]*

SPI wording

*[Link provided for staff]*

- 7.5.6 Suggested wording for FIs that would need to apply the national E&S regulations and possibly the IFC PPS.

MOR wording.

*[Link provided for staff]*

- 7.5.7 Preliminary Financial Intermediary information.

*[Link provided for staff]*

- 7.5.8 Financial Intermediary Portfolio questionnaire.

*[Link provided for staff]*

- 7.5.9 Financial Intermediary sectors of investment.

*[Link provided for staff]*

7.5.10 Information on client's top 10 exposures for IFC equity investments.  
*[Link provided for staff]*

7.5.11 EHS/ESMS Questionnaire.  
*[Link provided for staff]*

## **8 FINANCIAL INTERMEDIARY INVESTMENTS : IFC DISCLOSURE AND COMMITMENT**

### **8.1 Purpose and Applicability**

8.1.1 This procedure describes the E&S review process for Financial Intermediary Investments, during the negotiation stage of the IFC project cycle, up to the signing of the legal agreements. It covers the following steps:

- a. Identifying possible value-added opportunities where IFC can help mobilize additional resources for the client;
- b. IFC's public disclosure of the SPI, including a summary of any key enhancements to be made to the FI's social and environmental management system, prior to IFC's Board of Directors/Management approval; and
- c. Responding to comments and inquiries during the IFC disclosure period prior to Board consideration of the investment.

### **8.2 Procedure**

8.2.1 Identify potential opportunities to help the client enhance positive environmental and social outcomes, including access to IFC's Financial Markets Sustainability products, and IFC-sponsored technical and financial assistance funds or programs. This needs to be based on the following considerations:

- a. There is a match between the business potential, based on the business lines and client portfolio, and the value-added resources available within IFC as indicated in the IFC publication entitled "Resource Directory : A Quick Guide to IFC's Value-Added Resources";
- b. The client has an adequate ESMS to take the initiative forward; and
- c. The client has expressed an interest in pursuing the value-add, if the opportunity materializes.

8.2.2 If all of the above indicate the potential for these opportunities, initiate the steps in Procedure No. 9.

8.2.3 Provide the E&S wording for the SPI to the Transaction Leader, who will obtain the client's written acceptance of it for factual accuracy and approval for public release to the InfoShop no later than 30 days prior to the IFC Board's consideration of the investment. VP Industry may issue a waiver of the time period for disclosure of the SPI in circumstances where the minimum time period cannot be met, for example when there are requirements associated with an Initial Public Offering. In such cases, in accordance with IFC's Disclosure Policy, the Transaction Leader must notify IFC's Board of Directors.

8.2.4 Where there are any inquiries or complaints raised during the disclosure period, support the Transaction Leader in providing a response. Where there are any complaints raised during the disclosure period, communicate them to the Team Leader and the Manager CESIG for further action. Inquiries that request information from IFC, along with IFC's response to the request, must be logged with Corporate Relations, in accordance with IFC's Disclosure Policy. The Transaction Leader is responsible for preparing the response to the request for information, but may seek guidance from Corporate Relations in applying IFC's Disclosure Policy.

8.2.5 Complete the ESRR score sheet for the project, file it in iDESK, and record a reference in the ESRD.

8.2.6 Based on the ESRD, prepare E&S wording for the Board Paper. Provide support, as necessary, to the project team for presentations to the Board. As requested, provide technical briefings to members of IFC's Board of Directors.

8.2.7 Determine the supervision requirements, including:

- a. The AMR reporting format and the requirement for reporting at the sub-project level;
- b. Whether the E&S reporting needs to be separate or part of the general reporting to IFC;
- c. The frequency of reporting; and
- d. Where possible IFC's reporting requirements should take advantage of any other reporting by the client. Discuss with the client any opportunities for publicly available non-financial reporting and document in the ESRD.

8.2.8 Provide inputs to the drafting of legal agreements, covering the following:

For all projects:

- a. Definitions;
- b. Representations and warranties;
- c. The client's requirement to report any plans for engaging in any business involving the financing of any asset or corporate entity, other than what was disclosed at the time of IFC's appraisal; and
- d. Any major accident or incident related to the client's portfolio or its own operations that results in injury or loss of life or impact on the environment and public.

For all Category FI projects:

- a. Any E&S CODs;

- b. IFC recourse in the event of serious non-compliance;
- c. The Applicable Performance Requirements;
- d. The client's commitment to maintain the level of ESMS required to ensure sub-project compliance with the Applicable Performance Requirements; and
- e. Supervision requirements, including the Annual Reporting requirements and the AMR format.

8.2.9 Following the Board Approval where sought by the Transaction Leader, provide any further support required for the legal agreement or other matters.

### **8.3 Roles and Responsibilities**

8.3.1 The Lead Specialist is responsible for the following steps outlined in this procedure:

- a. Identifying potential value-added opportunities,
- b. Providing E&S wording for the SPI to the Transaction Leader, and
- c. Providing inputs to the Transaction Leader for the Board documents and the legal agreements.

8.3.2 The Transaction Leader is responsible for:

- a. Incorporating into the legal agreements the E&S inputs provided by the Lead Specialist (in collaboration with the project's team lawyer);
- b. Communicating with the client;
- c. Seeking VP Industry waiver of disclosure requirements, where required; and
- d. Responding to external inquiries.

### **8.4 Records and Documentation**

8.4.1 The following documents, where present, need to be filed in iDESK and referenced in the ESRD in support of the analysis provided:

- a. Wording for the SPI;
- b. ESRR scores;
- c. Inputs to final terms sheet; and
- d. Inputs to draft and final legal agreements.

### **8.5 Annexes**

8.5.1 SPI wording.  
*[To be provided]*

8.5.2 AMR template.  
*[To be provided]*

## **9 FINANCIAL INTERMEDIARY INVESTMENTS : MOBILIZING ADDITIONAL RESOURCES**

### **9.1 Purpose and Applicability**

9.1.1 This procedure applies to all Financial Intermediary projects that have been identified as having potential for developing value-added activities that could enhance environmental and social outcomes beyond compliance, as determined in Procedure 8.2.1. This procedure specifies the steps for mobilizing additional resources to add E&S value to IFC projects.

### **9.2 Procedure**

9.2.1 Confirm that:

- a. The client's business lines and sectors of operation offer significant potential for value-added activities that would result in enhanced environmental and social outcomes, and
- b. The client has expressed interest in pursuing the activity and has sufficient capacity to do so.

9.2.2 Classify the focus of the sustainability activities as outlined in Annex 9.5.1 to help identify the options for pursuing the activity.

9.2.3 Identify the channel for pursuing the proposed activity, using the following order of priority.

- a. First, determine whether the proposal can be routed through the Financial Markets Sustainability (FMS) team within IFC's Global Financial Markets Department; and
- b. If FMS indicates that it would not be able to take this forward, determine whether the proposal can be considered either through an existing IFC-managed donor funded operation (DFO) as indicated in the IFC publication entitled "Resource Directory : A Quick Guide to IFC's Value-Added Resources," or through IFC's Trust Funds Department, which manages general donor funds as well as the IFC's own contributions (FMTAAS).

9.2.4 If the activity is to be supported by FMS:

- a. Discuss the activity with the Transaction Leader;
- b. The Transaction Leader should engage FMS in the project;
- c. Provide the necessary support to the Transaction Leader in taking the proposal forward, or, if required, manage the proposal through implementation as per FMS procedure; and

- d. If the proposal is to managed directly by FMS, provide support to the FMS group and Transaction Leader as needed to take the activity forward.

9.2.5 If the activity is to be supported by a DFO facility:

- a. Discuss and secure the Transaction Leader's interest in pursuing the activity;
- b. Initiate a discussion with the DFO facility manager and secure their interest in taking forward;
- c. Prepare a proposal if required as per the procedures of the DFO;
- d. If required, manage the proposal through to its implementation as per DFO procedure; and
- e. If the proposal is to be managed directly by the DFO, provide support to the DFO facility manager or Transaction Leader as needed to take activity forward.

9.2.6 If the activity is a standalone activity not supportable by either FMS or an existing DFO facility:

- a. Develop, in consultation with the Transaction Leader and the client, an outline of the project concept;
- b. Discuss the concept outline with the Trust Funds Department to determine whether the project activity can be pursued as part of their program;
- c. If the proposal evinces interest, follow the TAAS procedure to move forward with the activity; and
- d. Manage the implementation of the proposal as required.

### **9.3 Responsibilities**

9.3.1 The Lead Specialist is responsible for:

- a. Identify and support the development of an opportunity for a value-add into a formal proposal and activity.

9.3.2 The Transaction Leader and the relevant DFO facility manager are responsible for:

- a. Pursuing proposals developed for all FMS and DFO-related activities.

9.3.3 Where departments have a designated staff managing technical assistance activities, the appropriate person within the department will manage the discussion with the Trust Funds Department along with the Lead Specialist for Procedure 9.2.6.

## **9.4 Records and Documentation**

9.4.1 As per the requirements of the DFO, FMS, or the TAAS activity.

## **9.5 Annexes**

9.5.1 Some examples of sustainable themes for classifying value-add activities:

- a. Energy efficiency;
- b. Renewable energy;
- c. Bio-diversity;
- d. Eco-tourism;
- e. Sustainability framework;
- f. Cleaner production;
- g. Greening the supply chain;
- h. Carbon finance;
- i. Organic farming;
- j. Food safety;
- k. Capacity building and training;
- l. Sustainability studies and evaluations.

## **10 FINANCIAL INTERMEDIARY INVESTMENTS: SUPERVISION**

### **10.1 Purpose and Applicability**

10.1.1 This procedure describes the E&S review process for Financial Intermediary Investments during the supervision stage of the IFC project cycle, from commitment until the project is closed as an IFC investment. It covers the following steps:

- a. Ongoing review of the E&S performance of the project as per the conditions of the legal agreements, including:
  - a.1 Review of the AMR;
  - a.2 Status of implementation of the Action Plan, including any Supplemental Actions;
  - a.3 Measurement and verification of E&S compliance;
  - a.4 Client performance with reference to project performance indicators; and
  - a.5 Calculation of the Environmental and Social Risk Rating (ESRR).
- b. Providing inputs to Project Supervision Reports (PSRs) and Expanded Project Supervision Reports (XPSRs);
- c. Supporting any CAO action when responding to an inquiry or complaint; and
- d. Responding to gaps and shortfalls in the client's E&S performance.

### **10.2 Procedure**

10.2.1 After the legal agreements have been executed in cases where there are E&S CODs to be fulfilled prior to the first of subsequent disbursements, obtain requisite information from the Transaction Leader to determine the project's status. Inform the Team Leader and the Transaction Leader if there are any E&S CODs not complied with, based on the above review.

10.2.2 Where a client project has not submitted an AMR and is in a financial, legal, or administrative dispute with IFC that may impair IFC's ability to access the information required for supervision of the project, obtain confirmation of this from the Transaction Leader. Determine whether the project supervision should be postponed or terminated, as indicated below:

- a. Where the dispute is considered temporary and resolvable by the Transaction Leader, the project supervision may be considered for postponement;
- b. Where the dispute is considered either permanent or irresolvable, the project supervision activities may be considered for termination, or

- c. Supervision recommendations should be made to the Manager CESIG and the investment department Portfolio Manager for a decision to postpone, suspend or terminate supervision by IFC.

10.2.3 Record the decisions and supporting analysis in the ESRD.

10.2.4 Obtain the client's AMR. Ensure the following:

- a. The information provided is adequate. If not ask the Transaction Leader to obtain additional information from the client; and
- b. The report has been submitted as per the timeframes specified in the legal agreement. If the report has been submitted late, ask the Transaction Leader to communicate the need for timely reporting to the client.

10.2.5 Review the AMR, focusing on:

- a. The client's performance against the Applicable Performance Requirements as determined during project review and appraisal;
- b. Status of the client's ESMS;
- c. Performance against the performance indicators as determined in Procedure 7.2.19;
- d. Previous AMR reviews and ESRR scores;
- e. Key performance gaps relating to the client's performance and ESMS; and
- f. Key steps the client may need to take to improve performance.

10.2.6 Ascertain whether:

- a. The nature of the client's business has changed significantly to attract different performance requirements from IFC;
- b. There is sufficient evidence that the client is operating the ESMS as envisaged at the time of appraisal; and
- c. There is sufficient evidence that the client has applied the Applicable Performance Requirements to their sub-projects.

10.2.7 In exceptional circumstances, where an AMR review or supervision visit, or information provided from other sources, indicates that the disclosure of certain non-public information would be likely to avert imminent and serious harm to public health or safety, and/or imminent and significant adverse impacts on the environment, immediately inform the client to take suitable action and record the findings in the ESRD. In the event that the client is unable to address the matter, inform the Transaction Leader and consult with the Manager CESIG, and prepare recommendation for the Director CES in accordance with IFC's Disclosure Policy.

10.2.8 If the client reports a plan to enter a new business line, evaluate the E&S implications on the IFC's portfolio of any proposed change in business. Based on this evaluation, determine whether there would be any change in the Applicable Performance Requirements that the FI would need to apply to its portfolio. If there is a change in the performance requirements, inform the Transaction Leader, for further consideration and action.

10.2.9 Complete the AMR review, recording all key findings, decisions, and supporting analysis in the ESRD, complete the ESRR rating, and file on iDESK. If there are gaps in the client's performance or other issues of concern, alert the Transaction Leader for follow-up.

10.2.10 If the project is being evaluated as part of IFC's XPSR program, provide written input to the document. If the project XPSR is being evaluated by IFC's Independent Evaluation Group (IEG), provide support to the project team as needed, recording all key findings, decisions, and supporting analysis in the ESRD.

10.2.11 If during supervision of a project, a complaint is filed and accepted with the Office of the CAO, inform the Manager CESIG immediately and, in consultation with the Manager CESIG, carry out the following steps:

- a. Assist the CAO in obtaining information and in liaising with the client on the CAO's behalf, if needed;
- b. Communicate the process to the client and keep them informed of the CAO's investigation;
- c. Once the CAO has drafted a report, ask the Transaction Leader to coordinate with the project team and with the client to review the report for accuracy, and to provide further information to the CAO as needed;
- d. Submit the draft response and comments to the Manager CESIG for review before it is submitted to the CAO; and
- e. The Transaction Leader should ask the CAO's office to post the IFC project team's response to the CAO's draft report on the CAO's Web site.

### **10.3 Roles and Responsibilities**

- 10.3.1 The Transaction Leader is responsible for:
- a. Managing the overall communication with the client;
  - b. Receiving the AMRs and following up on any questions about the adequacy of information; and

- c. Conveying to the Lead Specialist any material change in business line or incident as reported by the client.

10.3.2 The Lead Specialist is responsible for:

- a. Checking the AMR for adequacy and asking the Transaction Leader to obtain any information still needed; and
- b. Reviewing the AMR and other matters reported pertaining to the E&S issues and suggesting corrective and follow-up action with the client as required.

#### **10.4 Records and Documentation**

10.4.1 The following should be filed in iDESK and referenced in the ESRD:

- a. Where possible IFC's reporting requirements should take advantage of any other reporting by the client. Also discuss with the client opportunities for public non-financial reporting and document in the ESRD; and
- b. ESRR scoresheet.

10.4.2 The following should be recorded in the ESRD and updated in iDESK:

- a. AMR review; and
- b. List of follow-up actions for the client.

#### **10.5 Annexes**

10.5.1 AMR review format.  
*[Link provided for staff]*

## **11 ENVIRONMENTAL AND SOCIAL REQUIREMENTS FOR IFC MANAGED TAAS**

### **11.1 Purpose and Applicability**

11.1.1 This procedure applies to IFC-managed Technical Assistance and Advisory Services (TAAS), covering the following specific activities carried out by Donor-Funded Operations (DFOs) or by Departments:

- a. TAAS managed by field-based facilities such as the Private Enterprise Partnerships and Project Development Facilities;
- b. TAAS managed by headquarters-based and -managed DFOs, such as FIAS;
- c. TAAS managed by headquarters-based environmental facilities, such as INCAF and EOF;
- d. TAAS managed by an Industry, Specialist, or Regional Departments, but not directly associated with an IFC investment; and
- e. All fee-paid TAAS assignments, for example, those undertaken by the Advisory Services Department (CAS).

11.1.2 All DFOs and Departments engaged in TAAS are responsible for ensuring that their activities meet the requirements as outlined in Annex 11.5.1.

11.1.3 Facilities, such as TATF or CBF, that are engaged solely in raising funds from donors and channeling them to other Departments or Groups within IFC that manage or implement the TAAS activity, are not directly covered under this procedure. They, however, do need to ensure that the IFC Department or DFO that will be managing the TAAS Activity has measures in place to meet the Applicable Performance Requirements, as outlined in Annex 11.5.1.

### **11.2 Procedure**

11.2.1 For DFOs or Departments engaged in TAAS, CESIG will provide support on the following matters, where requested:

- a. Reviewing the nature of the TAAS activities in question and determining, based on the review, any possible E&S aspects, positive or negative, that could be associated with the TAAS activities;
- b. Determining and communicating the Applicable Performance Requirements that the DFO or Department would need to consider in their activities, as outlined in Annex 11.5.1;
- c. Providing guidance and advice, as requested by the Manager of the Department or the DFO, on the following:

- c.1 Developing and implementing measures, such as an ESMS, that would enable the DFO or Department to meet the standards outlined above and to explore possible E&S opportunities;
- c.2 Other E&S matters, such as recruitment of staff, training and capacity building within the DFO or Department; and
- d. Providing direct E&S review support where sought by the DFO or Department and approved by the Manager CESIG.

11.2.2 For fee-paying TAAS assignments—typically those managed by CAS, and especially those associated with large projects or businesses—CESIG will, where requested, review the proposal to determine whether there are any positive or negative environmental and/or social aspects that could merit the involvement of CESIG. If there are none, no further action is required. If there are either positive or negative aspects associated with the fee-paying TAAS assignment, the following steps will be carried out by CESIG:

- a. Informing the Transaction Leader of the issues;
- b. Determining the extent to which CESIG might participate in the assignment to address the E&S aspects;
- c. Deciding whether the CESIG input can be included into the proposal considering both the time commitment and potential conflicts of interest;
- d. Providing inputs to the proposal as appropriate, if CESIG involvement is agreed on; and
- e. If the proposal materializes into an assignment, carrying out the activities committed.

### **11.3 Responsibilities**

11.3.1 The Lead Specialist from CESIG is responsible, where requested, for the following, as outlined in this procedure:

- a. Reviewing, determining, and communicating the Applicable Performance Requirements;
- b. Determining the nature and extent of CESIG involvement in the proposed fee-paying TAAS assignment; and
- c. Proving other support in connection with the above.

11.3.2 The Manager of the DFO or Department engaged in TAAS is responsible for:

- a. Developing and implementing suitable measures to ensure that all TAAS meets the Applicable Performance Requirements; and
- b. Providing the necessary information where CESIG support is being sought.

11.3.3 The Manager CESIG needs to authorize, at the proposal stage, any planned involvement of a Lead Specialist in an Advisory Assignment.

## **11.4 Records and Documentation**

11.4.1 CESIG will maintain the following documentation in connection with this procedure:

- a. A record of the communication of the Applicable Performance Requirements to the DFO or Department managing the TAAS project; and
- b. Records of any additional support provided by CESIG.

## **11.5 Annexes**

11.5.1 Applicable Performance Requirements for IFC-Managed TAAS.

All DFOs and Departments that are engaged in managing TAAS activities are responsible for:

- a. Ensuring that their TAAS activities are consistent with IFC's environmental and social principles and do not support activities that contravene IFC's Exclusion List;
- b. Determining whether the activities that are being supported by the TAAS have potential E&S impacts. Where there are potential E&S impacts, this entails:
  - b.1 Ensuring that the activities are in compliance with applicable national laws and regulations;
  - b.2 Referencing the IFC PPS to ensure that the activities being supported do not pose a significant reputation risk to IFC, especially in cases where:
    - b.2.1 The TAAS is associated with support or development of a large project or business; or
    - b.2.2 The TAAS is supporting the creation of an asset with significant potential E&S impacts.
- c. Seeking to raise awareness of the benefits of good environment and social development performance in local institutions, especially in activities that involve training and capacity building.

## **12 MAINTENANCE AND UPDATE OF IFC E&S REVIEW PROCEDURES**

### **12.1 Purpose and Applicability**

12.1.1 This procedure describes the steps for maintaining and updating the Environmental and Social Review Procedures of IFC.

12.1.2 These procedures have been put in place to specify how the Environmental and Social Specialists should review projects for consistency with IFC's Policy and Performance Standards on Social and Environmental Sustainability.

12.1.3 These procedures are maintained by the Manager CESIG, and authorized by the Director CES.

### **12.2 Procedures**

12.2.1 Any staff member of IFC may identify the need for a new or revised procedure as needed to perform assigned activities, and may submit a request to the Manager CESIG, as per format 12.5.1.

12.2.2 If the request is accepted, a designated writer will be assigned to draft the new procedure or the modification.

12.2.3 The writer will develop the procedure as per the format provided in Annex 12.5.2.

12.2.4 The proposed procedure will be reviewed by a core team of staff identified by the Manager CESIG, checking for:

- a. Consistency with IFC's policies;
- b. Operability in the context of IFC's project cycle; and
- c. Whether it substantially addresses the objective for the change.

12.2.5 After incorporating the feedback from the review procedure and the Manager CESIG, the procedure will be submitted for review by the Director CES.

12.2.6 The Director CES will decide whether to approve the procedure or subject it to further processing, including, in the case of material changes or updates, external review, to ensure that the proposed procedure is consistent with IFC's policies, particularly the IFC PPS.

12.2.7 The Director CES will approve the procedure when satisfied that no further changes or review are required.

12.2.8 The approved procedure will be introduced to the authorized procedure list either superseding or complementing existing procedures as the case warrants.

12.2.9 A new version is created when the CES Director determines that the changes made to one or more procedures are substantially and materially different from the earlier version. Until then any changes to existing or new procedures is only reflected in a change in the revision number for the version.

12.2.10 The Manager CESIG will maintain a record of all versions of the procedure that have been approved, the changes that have been made, and the date on which they are put into effect. Each subsequent version, will include a reference to any amendments that have been made to the procedure, including the date on which they became effective.

12.2.11 The Manager CESIG, through the CES Director, will inform IEG, CAO, and Industry and Regional Department Directors of the new ESRP, highlighting the changes that have been made and the date the new version becomes effective. The Manager CESIG will ensure that the new ESRP is posted on IFC's Web site, with a notice describing the date on which the version becomes effective and the changes that have been made.

### **12.3 Responsibilities**

12.3.1 The Manager CESIG is responsible for developing, distributing, and maintaining the procedures for issuance. The Director CES is responsible for approving the procedures for issuance.

12.3.2 Each individual IFC staff member performing activities in accordance with the ESRP is responsible for identifying any new or revised procedure or procedural note that may be needed to perform assigned activities.

### **12.4 Records and Documentation**

12.4.1 Procedure modification request format 12.5.1

12.4.2 IFC Procedures as per the specified format 12.5.2

## 12.5 Annexes

### 12.5.1 Format for procedure modification request

Date	
Requested by	
Procedure Number (if modification)	
Specific Nature of the Document Change	
Purpose of Document Change	

### 12.5.2 Format for IFC ESRPs

All IFC ESRPs will be developed as per the format provided below.

#### **#.1 Purpose and Applicability**

*This section shall contain a short statement of the objective and shall define the extent of the application of the procedure.*

#### **#.2 Procedure**

*This section describes how, and in what sequence, the activities addressed by the procedure are to be performed.*

#### **#.3 Responsibilities**

*This section identifies responsibilities and interfaces for the activities described in the procedure.*

#### **#.4 Records and Documentation**

*This section defines the documents, required and developed during the implementation of the procedures, that are required to be retained as records.*

#### **#.5 Annexes**

*This sections contains templates and formats that expand on specific steps in the procedure.*