

CSO Recommendations
IFC Performance Standard 1
Assessment and Management of Environmental and Social Risks and Impacts

November 18, 2025

We welcome the opportunity to submit initial input and recommendations for the Update of IFC's Sustainability Framework. We have compiled a series of suggestions and recommendations focused on **Performance Standard 1 Assessment and Management of Environmental and Social Risks and Impacts** stemming from decade's worth of practical experience and first-hand knowledge from project-affected communities and complainants.

We appreciate engaging in dialogues with IFC during Phase I of the review process. We look forward to continuing conversations with staff, management and key stakeholders to elevate the IFC SF and Performance Standards to international best practice. All case examples presented in this document refer to IFC projects.

The requirements laid out in Performance Standard 1 (PS1) represent the core of the International Finance Corporation (IFC)'s commitment to "do no harm" in its investments. For a project to meet its intended objectives, IFC and its clients must recognize and address the risks and potential impacts of their investments on people and the environment. For IFC to achieve development outcomes in line with the World Bank Group's mission, IFC and IFC clients must genuinely conduct rigorous environmental and social risk assessments, make plans to avoid, mitigate, compensate for, and remedy harms, and treat affected communities, Indigenous Peoples¹ and other stakeholders as true partners in the design and implementation of projects.

In the years since the 2012 Sustainability Framework was adopted, IFC has developed new guidance and tools, and has taken steps in the right direction of improving environmental and social policy implementation and access to accountability when harms occur. These have included:

- ❖ IFC/MIGA Interim Approach to Remedial Action
- ❖ Approach to Responsible Exit
- ❖ Zero tolerance statement on reprisals
- ❖ Updated Environmental and Social Review Procedures Manual
- ❖ Contextual Risk Framework

¹ For projects that may impact on Indigenous Peoples, the requirements established in Performance Standard 7 apply, PS1 shall be interpreted in a manner consistent with PS7.

While it is critical that IFC incorporate the lessons that it has learnt as well as this updated guidance and practice into policy, taking advantage of the opportunity to go beyond that by addressing current gaps in the IFC's SF and Performance Standards to meet best international practice. We have compiled numerous examples of where IFC's existing updates to practice, guidance, and policy must be integrated into the revised Sustainability Framework, whether into the Sustainability Policy, the updated version of PS1, or included in other standards. These recommendations are not exhaustive; we look forward to continuing discussions on these topics and to providing further input as the review process moves forward.

I. Environmental and Social Risk Assessment

Project scope and cumulative impacts:

PS1 requires assessment and management "appropriate to the nature and scale of the project and commensurate with the level of its environmental and social risks and impacts." This has incentivized, and resulted in, a narrow definition of the project (para. 4: "'project' refers to a defined set of business activities") such that IFC and its clients ignore the entire value chain and cumulative and longer-term impacts.

PS1 should apply to activities undertaken as a direct result of the project as well as the project itself, and should require the client to conduct and publish a Cumulative Impact Assessment (CIA) where there are impacts outside of the scope of the project.

Case examples:

The [Lome Container Terminal](#) (LCT) project in Togo, LCT's construction exacerbated coastal erosion [leading to communities'](#) loss of homes, loss of cultural assets such as cemeteries and the chiefs' palaces, and loss of livelihoods by restricting access to fisheries.

Substantial changes in the scope and timeline for the [Alto Maipo Hydroelectric Project](#) in Chile resulted in a surge of construction workers that led to instances of gender based violence and insecurity including major traffic accidents in the Maipo region.

IFC neglected to consider the impacts and risks to an entire region by stating that the [Xcaret](#) project area in Mexico was limited to the existing compound. This overlooked the fragmentation of habitats and pollution in a [rich biodiversity region](#) that is encompassed by mangroves and unique coral reefs.

The [Sal de Vida](#) project in Argentina was approved by the IFC without properly considering and assessing the [cumulative impacts](#) on the Salar del Hombre Muerto basin and surrounding communities, where eight lithium brine mining projects were registered and are operating at various stages of development.

IFC has recognized the CIA as a tool for determining the scale and timeframe of an assessment properly, highlighting the need for assessing the complex interactions among different projects occurring at different times. Therefore we recommend that IFC incorporate the detailed guidance on the potential cumulative impacts of a project, as included in the Section on Cumulative Impacts in the **Guidance Note for PS1 GN37-GN43**.

As part of assessing the cumulative impacts of projects we also recommend referencing impacts to the global commons such as greenhouse gases (GHG). Properly assessing GHGs against the global carbon budget is critical for alignment with the 1.5 degree C limit. Recognizing that the contribution from GHG emissions to the adverse environmental impacts of climate change, namely; sea level rise, impacts on ecosystems, water supply and quality resulting in public health impacts, the IFC is in a key position to help assess and require emissions reductions for all the projects it finances.

Additionally, and consistent with the preceding issues, PS1 should apply to all associated facilities and activities that are not funded as part of the project, but are necessary for the project to be viable, or that would not have been constructed, expanded or conducted if the project did not exist. Thus PS1 should apply to associated facilities and activities that are carried out or planned to be carried out as a necessary consequence of or as a complement to the project, whether in its preparation, during or after the project is implemented. This is also consistent with existing PS1 para. 8 (2nd bullet and fn. 15) and Guidance Note 42.

Assessment:

Risk assessments should assess both environment and social risks and should specifically consider differentiated impacts to marginalized groups. Project affected communities have raised this issue numerous times with IFC through the years. We note that IFC includes **Disadvantaged or Vulnerable Groups** in instructing its clients through its Guidance Notes, specifically GN48, GN50, GN79. Providing a comprehensive description within the risk assessment section of PS1 is warranted considering that the lack of proper identification of affected communities and vulnerable individuals or groups may lead to major gaps in crucial information about project scope and impacts but also risk leaving these communities without the knowledge that would allow them to engage meaningfully as stakeholders.

Furthermore, IFC should increase the requirements for collection of project-specific disaggregated data as it pertains to sexual orientation, gender identity or expression, and sex characteristics as well as explore the best and safest way to collect this data within each specific context. Disaggregation by disadvantaged or vulnerable groups is critical to push its clients to collect more data and better consider project impacts, including potential harm or barriers to accessing project benefit, on these groups.

We recommend including a definition of disadvantaged and vulnerable groups in the policy. The “Identification of Risks and Impacts” section of PS1 includes a description of disadvantaged or vulnerable status in footnote 18 which can be adjusted to create a definition of disadvantaged or vulnerable individuals.

Footnote 18: This disadvantaged or vulnerable status may stem from an individual's or group's race, color, sex, language, religion, political or other opinion, national or social origin, property, birth, or other status. The client should also consider factors such as gender, age, ethnicity, culture, literacy, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources.

Additionally, merely assuming that women will be included as part of vulnerable and disadvantaged communities is a mistake. Gender-differentiated impacts should be carefully assessed to avoid discrimination and to obtain a clear understanding of women's roles and rights as project stakeholders. In many cultures women tend to be more dependent for their livelihoods on natural resources, which are threatened by climate change impacts including erosion, desertification and drought. We recommend adapting the language in Gender GN50 to ensure the role of women as stakeholders, rightsholders and project-affected people.

In the event that a third party's actions lead to risks and impacts we recommend updating the provisions in Paragraph 9 of PS1 with those set forth in GN51-52 and correlating these with sections on associated facilities throughout PS1.

Case Examples:

In the [Hidrovias do Brasil](#) river port construction project, IFC's failure to apply specific protections for Indigenous Peoples caused the ports' impact on their territories, resources and livelihoods to not be effectively considered or mitigated.

Similarly, the impacts on the health and livelihoods of the Tsachilas indigenous people of Santo Domingo were not properly considered or assessed by IFC in the [Pronaca](#) poultry and pork processing plant in Ecuador. This has resulted in higher incidences of illness and disease among these communities.

In Brazil, the IFC failed to properly acknowledge the impacts on the Quilombola Indigenous Peoples in the area of influence of [Suzano](#), a \$3.7 billion pulp and paper mill project. A lack of access to land and depletion of biodiversity is forcing the Quilombolas to seek sustenance outside their traditional territories.

Although the [PL IV Transmission Line](#) project did recognize some Indigenous Peoples' territories it ignored others. This left entire communities out of project assessments and considerations putting their lives, livelihoods and right to enforce a proper FPIC process in jeopardy.

II. Remedy

The new Sustainability Framework and PS1 must include explicit references to the IFC's Remedial Action Framework.

The External Review of IFC/MIGA E&S Accountability, including CAO's Role and Effectiveness Review recognized IFC's contributions to Environmental and Social management through the evolution of its Sustainability Policy in 2012. While acknowledging IFC's role in development with the application and dissemination of private sector environmental and social good practices, other institutions have continued to push forward to enhance performance and accountability even further. Going beyond the IFC/MIGA 2012 Performance Standards – most notably through the United Nations Guiding Principles on Business and Human Rights with its principle of protect, respect and remedy – has been a trend in most MDBs. The most recent policy reforms have incorporated language and provisions for remedy and remedial actions when harm exists; the African Development Bank, European Investment Bank and European Bank for Reconstruction and Development are some of those which have instituted reforms as is described below.

One of the most notable outcomes of the External Review (ER) was: **Recommendation 10: An IFC/MIGA Framework Needs to Be Established for Remedial Action in Cases in which Non-compliance Contributes to Harm.** As an essential part of this framework, the ER made several recommendations on funding requirements depending on the client's response and capacity, as well as the IFC's responsibility to contribute to remedy. IFC recalls these ER recommendations explicitly in Appendix A of the Remedial Action Framework (page 22).

In response to the ER one of the steps the IFC proposed was to build on the Sustainability Framework and the CAO Policy by introducing enhancements to existing elements. IFC notes that it *"is taking a holistic view to upfront actions, which will support preparing for remedial actions and responsible exit, and more generally avoiding or minimizing E&S issues and increasing IFC/MIGA's influence to better address E&S issues."* (RAF page 14).

"17. Preparation for remedial action. Preparation needs to occur early in the project cycle in order to better position IFC/MIGA to facilitate and support their client's preparedness for remedial actions when necessary, and to exit responsibly when relevant. These efforts would focus on assessing, increasing, and deploying IFC/MIGA's influence with clients and third parties. IFC/MIGA will also monitor client preparedness and assess the effectiveness of grievance mechanisms as part of IFC/MIGA supervision efforts. **The proposed enhancements would include: (i) strengthening assessment processes; (ii) expanding possibilities for financing by clients, including through costing ESAPs where relevant; (iii) exploring additional contractual provisions; and (iv) considering other actions to support low-capacity clients operating in the private sector.**" (emphasis added). (RAF page 14)

IFC must include references to remedial action in its revised PS1 to improve implementation of the remedial action framework and integrate these measures into IFC operations going forward. We call on IFC to adopt the following section regarding strengthening of the assessment process in PS1:

- **“Preparation through strengthening the assessment process.** IFC/MIGA are planning to introduce new tools during appraisal and supervision to better set IFC/MIGA client expectations and assess client preparedness for (including understanding of) remedial actions. Assessments would be informed by discussions with the client (alongside or as part of more general appraisal discussions), together with a review of the client’s track record on E&S, including with respect to past remedial actions, as applicable. IFC/MIGA are planning to develop and test the following:” (RAF page 6)
- “Guidance material and staff training to assess the potential sources and extent of influence that IFC/MIGA may have with a client or relevant third party, specifically with respect to influencing actions on E&S issues and ability to exit responsibly. IFC/MIGA would identify additional ways to build influence, especially for higher E&S risk transactions, as needed. ...”
- “Guidance material and staff training to strengthen IFC/MIGA assessment of client preparedness for ESAP implementation, as well as specifically for remedial actions.” (RAF p. 6-7)

The revised PS1 should also include measures to ensure that the client sets aside dedicated contingency funds (at least 1%) to ensure that resources are available to ensure that harms are fully remediated.

The mitigation hierarchy should specifically state that if negative impacts are not avoided, they will be "remedied" - not merely compensated or offset.

Today commercial banks such as the Japanese Joint Initiative (2022), Deutsche Bank (2023), Westpac (2024), ABN Amro (2024) and ANZ (2025) have adopted policies and standards on remedy. Examples of policies on remedy from other financial institutions:

African Development Bank’s Operational Standard 7 para. 17:

“The objectives of OS7 are as follows: [...] Identify and avoid adverse impacts of Bank operations on the lives and livelihoods of vulnerable individuals and groups, including women and girls, highly vulnerable rural minorities including indigenous peoples. Where avoidance is not feasible, to reduce, minimize, mitigate, compensate or effectively remedy impacts.”

European Investment Bank’s Environmental and Social Standards, Standard 1 para. 3:

“This Standard outlines the promoter’s responsibilities with regard to the process of assessing the potential environmental, climate and/or social impacts and risks associated with the project, and developing and implementing procedures for managing and monitoring these impacts and risks throughout the EIB’s project cycle, specifically: [...] Applying the mitigation hierarchy through the identification of measures to avoid, prevent and reduce any significant adverse effects and, if required, remedy/compensate any residual effects on project-affected people, communities and workers, as well as on the environment...”

Green Climate Fund’s Environmental and Social Policy para. IV.8.f:

“The GCF adheres to the mitigation hierarchy as an overall principle to managing environmental and social risks and impacts, suitable for all instances of GCF- financed activities. The mitigation hierarchy aims to:

- (i) Anticipate and avoid adverse risks and impacts on people and the environment;
- (ii) Where avoidance is not possible, adverse risks and impacts are minimized through abatement measures;
- (iii) Mitigate any residual risks and impacts; and
- (iv) Where avoidance, minimization or mitigation measures are not available or sufficient, and where there is sufficient evidence to justify and support viability, design and implement measures that provide remedy and restoration before adequate and equitable compensation of any residual risks and impacts...”

A clients' failure to provide remedy should weigh against their ability to receive new or additional financing from the IFC.

We recommend that IFC develop a public debarment list of companies and financial institutions based on their human rights, social and environmental policy compliance; and/or failure to provide support for remedial actions and responsible exit; cases where clients are persistently recalcitrant with respect to complying with the IFC’s Performance Standards; are not willing to fully comply with the recommendations of CAO after a project is subject to an investigation.

Negative environmental and social impacts that remain permanently unresolved should also be grounds for disbarment or at the very least suspension. Client reviews should include an examination of complaint registries at other multilateral development banks’ and development finance institutions’ independent accountability mechanisms, civil society reports, and news media. Importantly, this review should include an examination of the activities of other parent company subsidiaries and related entities.

Examples:

EBRD Environmental and Social Policy para. 7.23

“The Bank is committed to ensuring that material non-compliance and lack of progress in the implementation of agreed remedial actions by the Bank’s clients is addressed adequately as a matter of priority, and the client’s implementation of social and environmental commitments will be taken into account by the EBRD when considering applications for new or additional financing by that client. The EBRD may also periodically verify the monitoring information prepared by clients through project site visits by the Bank's environmental and social specialists and/or independent experts.”

Norges Bank Investment Management has an [observation and exclusion list](#) that includes human rights violations and severe environmental damage as a grounds for exclusion from NBIM financing.

Case Example:

The [Lome Container Terminal](#) (LCT) project in Togo, led to an unfortunate situation for some complainants who were coerced into signing an MOU with LCT. The agreement provided no effective remedy while requiring them to relinquish their rights; they later withdrew. No [complainants](#) ever received effective remedy in this case.

III. Responsible Exit

As stated by IFC its “approach to responsible exit builds on IFC’s Sustainability Policy to strengthen its analysis of and management of environmental and social issues throughout the project cycle, including at the point of exit.” To that end an explicit reference and detailed descriptions of IFC’s Responsible Exit Approach and Principles should be presented and referenced both in the Sustainability Policy and PS1.

We would recommend including references to language regarding requirements and procedures described in *Section V. Investment Operations: Portfolio and Supervision*, subsection *Investment Exit* from 5.103 to 5.116 of the *Environmental and Social Review Procedures Manual*.

Case Examples:

To ensure its client complied with the ESAP and Performance Standards prior to divesting from the [Minerva Beef](#) project in Brazil, the IFC should have ensured actions by [Minerva](#) to address the fact that it was sourcing cattle linked to illegal deforestation, invading protected areas in the Amazon and Cerrado Biomes and indigenous territories. (Principle 2.A IFC’s Responsible Exit Approach).

Prior to divesting from the [Alto Maipo Hydroelectric project](#) IFC should have confirmed that its client implemented ESAP mitigation measures regarding impacts on groundwater and aquifers to ensure pollution control and treatment actions. This may have prevented aggravating erosion, desertification and water shortages in this fragile region. (Principle 2.A, 2.B, 2.C, 2.D IFC’s Responsible Exit Approach).

The IFC invested in the Hidro Santa Cruz hydropower project in Guatemala through a financial intermediary; however, the community objected to the project, leading to [violent repression and retaliation](#) by local authorities and project proponents. Communities then filed a [complaint](#) with the IFC’s Compliance Advisor Ombudsman (CAO). After the CAO complaint was filed, the client divested, severing the IFC’s ties to the dam project. The [IFC responded to the complaint’s findings](#) by denying the project had anything to do with the violence, and refusing to take any remedial action; however, it did commit to develop an approach to responsible exit. To this day, the community has not received compensation, title to disputed land, or other support that they sought from the IFC and its client.

IV. Reprisals

Reprisals risk identification:

IFC should include the findings of its screening on reprisal risk and other contextual risks in project documentation including the Environmental and Social Review Summary. Where the screening indicates potential risk factors, the IFC should conduct a more comprehensive assessment on reprisal risk. Based on the reprisal risk screening and assessment, Environmental and Social Action Plans should include measures to ensure the safety and protection of environmental and human rights defenders, and to avoid and reduce potential harm and threats.

Taking into consideration the closing of civic space around the world and IFC's acknowledgment of the role that civil society organizations and project-impacted stakeholders have *in providing feedback, voicing opposition, and raising concerns with our clients and with IFC when necessary to ensure that environmental and social impacts in IFC-financed projects are avoided, minimized or mitigated and that the project achieves its intended development impact* in its position statement on Retaliation Against Civil Society and Project Stakeholders, we recommend the following:

1. Expanding language on how meaningful and effective consultation should be free of external manipulation, interference, coercion or intimidation (referenced in paragraph 30(iv) of the section on Stakeholder Engagement in the current wording of PS1) adding: "armed presence at consultations, intimidation by government officials, bribery of participants, will not be tolerated".
2. Including an explicit reference to IFC's zero tolerance on reprisals policy in the Sustainability Framework and references in PS1. AfDB, IDB, and other institutions have adopted this model.
 1. In line with the zero-tolerance policy, failure by a client to implement adequate measures to ensure safety and protection for environmental and human rights defenders, and/or offer remedial actions to victims, should prompt the IFC to impose penalty procedures including placing the client on a debarment list.

Case Examples:

Community leaders in Nicaragua faced criminalization, harassment and surveillance due to their advocacy surrounding the [Condor Gold Plc](#) mining project. After the community engaged with IFC and the CAO [reprisals intensified](#), only becoming worse after IFC exited the project.

Environmental leaders and defenders from Chile who engaged with IFC and [Development Finance Corporation](#) regarding implementation of the Alto Maipo Hydroelectric Project became the victims of cyber-surveillance ordered by AES Gener, the Chilean subsidiary of U.S. based AES Corporation.

V. Contextual Risk Assessments

Inasmuch as the IFC's performance standards aim to identify, manage and avoid environmental and social risks and impacts; recognition of changing social, political, economic, cultural and environmental factors has demanded the use of contextual risk assessment tools internationally.

Relatedly, one of the initiatives stemming from the External Review that IFC stated were underway was: "F. *Mainstreaming contextual risk assessment in due diligence and supervision* –Rolling out a framework for contextual risk assessment, and provision of further training and engagement with clients on these issues as well as developing a Contextual Risk Good Practice Note (ER para 99)". (External Review: IFC/MIGA Update of Non-policy Actions).

While other financial institutions have included contextual risk explicitly in their policies and guidance in recent years, IFC has yet to do so. We would therefore point to the work carried out to create the IFC's Contextual Risk Guidance Note which has yet to be finalized as indicated in response to an access to information request from October 2025. Several civil society organizations participated in consultations with IFC during the early stages of the preparation of this Good Practice note. We remain extremely interested to see the finished product and confirm its utility and value as a crucial element of PS1.

What follows are excerpts from environmental and social policies at institutions which have included language on contextual risk:

IDB Invest Environmental and Social Sustainability Policy, paragraphs 32 and 34.

32. IDB Invest's environmental and social appraisals for direct investments include the following:

- (i) review of available information, records, and documentation, including local sources of knowledge related to the environmental and social risks and impacts, as well as environmental and social risk categorization of the project; if information gaps are identified, request and review of any necessary additional information;
- (ii) contextual risk assessment that involves evaluating the risks from the external operating environment and factoring these risks into decision-making and overall risk management;
- (iii) a site visit and interviews with client staff and relevant stakeholders, including potentially Affected Communities;

34. IDB Invest's appraisal procedure for FI investments involves:

- (i) a review of the FI's portfolio, sector exposure, and contextual risks to identify the main environmental and social risks to which the FI could be exposed as a result of the FI's business activity;.....

Assessing the Regulatory Environment as part of Contextual Risk

While assessment of the regulatory environment is an integral part of PS1, we recommend that regulatory assessments also be referenced within the section on contextual risk assessment. We have witnessed

clear gaps in client’s ability to meet regulatory requirements that have dire consequences for project implementation and affected communities; projects where existing and blatant enforcement gaps were not assessed properly by IFC. While clients may comply with regulations in initial phases of the project they may not do so over the lifetime of the investment, and unfortunately there is little to no capacity nationally for oversight on some of this regulatory criteria. Therefore we recommend that an assessment of regulatory/enforcement gaps be explicitly included as part of IFC’s contextual risk assessment. This should be done noting IFC’s commitment to invest in fragile and conflict-affected situations where weak regulatory enforcement is known to exist.

Case Examples:

Ongoing efforts by indigenous peoples in Panama defending their right to free, prior and informed consent in the [PL IV Transmission Line](#) project faced a worsening political situation and changing environment that ultimately led to [violence and forced eviction](#) of indigenous communities.

The IFC terminated loans for projects in the [Xinjiang Uyghur Autonomous Region of China](#) (XUAR), where the Chinese government is [committing serious human rights abuses](#). The IFC did not disclose the reasons for exiting or loan closure citing limits to the disclosure of business decisions in line with IFC’s Access to Information Policy. Additionally, the IFC withheld the EIA for the Category A lead smelter in the XUAR due to a contractual agreement with the client to maintain its confidentiality. Measures taken by the IFC to safeguard human health and the environment during its involvement in the lead smelter are unknown.

Contextual Risk as part of the E&S Risk Categorization:

IFC’s [Guidance Note on Financial Intermediaries](#) Footnote 17 helpfully defines Contextual risk. This definition should be used as part of PS1 language:

“Contextual risks – from a private sector, E&S perspective – are defined as risks in the external environment (at a country, sector, or sub-national level) that the client does not control but which could negatively affect the ability of a project or private sector client to meet IFC’s E&S requirements. Examples of contextual risks include, among others, land disputes as a result of internal displacement or conflict; systemic issues such as discrimination against minorities, lack of freedom of association, or widespread use of child labor; and historical government actions related to land contamination, forced evictions, or similar issues.”

Over time contextual risks may change depending on numerous factors and dynamic social and political realities on the ground. Therefore, it is particularly important to assess and **update contextual risk assessments and corresponding risk classification** regularly due to potential shifts throughout the project cycle from design through to implementation. This will ensure that the appropriate due diligence

supervision and monitoring occur as a result of changing contexts. We recommend explicit language about this noting valuable sections of GN20 stressing the necessity for *“Accurate and up-to-date baseline information is essential, as rapidly changing situations, such as in-migration of people in anticipation of a project or development, or lack of data on disadvantaged or vulnerable individuals and groups within an Affected Community, can seriously affect the efficacy of social mitigation measures”*.

IDB Invest Environmental and Social Sustainability Policy, paragraph 40.

Direct Investments (Environmental and Social Risk Categorization)

40. For direct investments, IDB Invest categorizes operations as A, B or C. Each project is analyzed taking into account its type, location, scale, sector, contextual risks, and the likely magnitude of potential environmental and social risks and impacts. The category indicates the appropriate extent of environmental and social impact assessment, information disclosure, and stakeholder engagement required. The category of a project is determined by the category of its most environmentally sensitive or risky social component, including direct, indirect, associated, cumulative and induced impacts in the area of the influence of the project.

The [IDB Invest Good Practice Note Security and Contextual Risk Management](#) provides substantive instructions and practical guidance on how to effectively manage contextual risks in conflict affected and high-risk regions. Identifying project risks resulting from interaction with preexisting conflicts, while outlining comprehensive risk management measures that include security arrangements and human rights considerations. This Good Practice note describes how IDB Invest and IFC have developed approaches to evaluating these types of risks in the operating environment, (page 8) referencing how [IFC’s Contextual Risk Framework](#) supports a systematic assessment of the following nine dimensions:

- *Security and Conflict*
- *Political Risk, Governance and Civil Liberties*
- *Labor and Workforce*
- *Health and Population*
- *Biodiversity, Ecosystem Services and Climate Change*
- *Land and Access to Natural Resources*
- *Social Cohesion*
- *Gender*
- *Reprisals*

Guidance and resources that IFC has created jointly and independently have focused on addressing security and retaliation risks against project stakeholders, such as:

- a. As mentioned in this Guidance note “the IFC Contextual Risk Framework Good Practice Note also includes a site visit interview guide and a rapid desktop questionnaire for subnational application, to help practitioners gather information and assess contextual risks.”
- b. Good Practice Note for the Private Sector: Addressing the Risks of Retaliation Against Project Stakeholders March 24, 2021.
- c. IFC Draft Contextual Risk Framework: General Purpose Note (2022). [Was to be finalized by 2023]
- d. IFC. Handbook on Security Forces: Assessing and Managing Risks and Impacts. Good Practice Handbook. (2017)
- e. IFC’s [Draft Good Practice Note Contextual Risk Screening for Projects – Linking National-Level Risks to the Local-Level Project Risks in Fragile and Conflict-Affected Situations and Beyond](#)

VI. Assessment of Value Chain:

IFC should mandate assessments of upstream and downstream value chain facilities, activities, and emissions. In cases of new or significantly expanded facilities, IFC should require assessing the economic, environmental, and social impacts on local communities, whose livelihoods may be directly or indirectly adversely impacted by IFC-funded facilities and their associated facilities and activities, including those that are part of the funded facilities' upstream and downstream value chain.

VII. Environmental and Social Review Procedures:

The IFC's [Environmental and Social Review Procedures Manual](#) (January 2025) provides detailed guidance to Project Teams on how IFC conducts its E&S risk management process in the Appraisal of prospective projects and the Supervision of portfolio projects for the business activities involving Direct Investments, investments through Financial Intermediaries and Upstream and Advisory projects (page 6). Noting the date of publication we would request clarification of its applicability as an integral part of the update to PS1 and the Sustainability Framework in its entirety.

VIII. Alignment with Paris Agreement and Clarity on Climate provisions:

Both the policy section and the risk & impacts (R&I) section should be guided by best practices and also use Paris Methodologies and be in alignment with a 1.5C pathway. These latter two items should also be included in the R&I identification process.

Under PS1 paragraph 8, captive and passive fossil fuel should be named explicitly under "associated facilities," and areas likely affected should include facilities and activities by subsidiaries, parent companies, sibling companies, sub-clients, partners, affiliates, joint ventures, acquisitions and mergers.

As described in ESRP Manual (p.13-14), one key environmental and social deliverable in the concept stage is the Project Data Sheet (PDS), the E&S considerations will be based on a preliminary review of the project including its financial structure and an E&S risk screening. Here instructions indicate that the PDS includes "*where relevant, results of E&S risk screening*" on contextual, gender-based violence, biodiversity, climate or other E&S risks. We would argue that E&S risk screening should be a default requirement in the creation of the PDS to accurately represent information for the "go" or "no go" decision to take place.

Guidance Note 1 includes a valuable section addressing climate change and climate vulnerability that should be considered as a basis for new language to be developed for PS1. We would highlight this paragraph as an example:

GN33. A project's vulnerability to climate change and its potential to increase the vulnerability of ecosystems and communities to climate change should dictate the extent of climate change

considerations in the risks and impacts identification process. Project vulnerability is a function of the type of infrastructure involved, the activities supported by the project, and the geographical location of the project. As defined by the Intergovernmental Panel on Climate Change (IPCC), vulnerability is the degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude and rate of climate change and variation to which a system is exposed, its sensitivity, and its adaptive capacity.

IX. Human Rights Impact Assessments and Human Rights Due Diligence

Business should respect human rights, which means to avoid infringing on the human rights of others and address adverse human rights impacts business may cause or contribute to. Each of the Performance Standards has elements related to human rights dimensions that a project may face in the course of its operations. Due diligence against these Performance Standards will enable the client to address many relevant human rights issues in its project. (PS1 para. 3). This introductory paragraph from PS1 and from IFC's Guidance Note 1 Assessment and Management of Environmental and Social Risks and Impacts remains a good frame and a lens for proper implementation of PS1.

PS1 acknowledges (para. 3) that "Business should respect human rights," but fails to enumerate those rights, even by reference. Respecting human rights should be defined as having in place policies and practices to avoid the abrogation of those rights, including e.g. of seasonal workers.

IFC has referred to Human Rights Impact Assessments that it produced which included enumeration of rights and international standards and agreements [Guide to Human Rights Impact Assessment and Management](#) (HRIAM). IFC must also consider incorporating this valuable guidance on how to: identify potential and/or existing human rights risks; assess potential and/or existing human rights impacts; and integrate findings from the assessment into its clients' management systems.

Human Rights Due Diligence:

Footnote 12 in PS1 states, "In limited high risk circumstances, it may be appropriate for the client to complement its environmental and social risks and impacts identification process with specific human rights due diligence as relevant to the particular business." A more prescriptive set of criteria and circumstances should be added to clarify when clients are expected to undertake human rights due diligence. IFC's Guidance Note explicitly instructs clients to use the Guide to Human Rights Impact Assessment and Management, while published in 2010 it contains valuable recommendations and includes scenarios which reference relevant international standards.

"GN47. If the client decides to undertake business human rights due diligence, as noted in footnote 12 of Performance Standard 1, the client may find it helpful to refer to the human rights aspects of the risks and impacts identification and management processes as well as several scenarios of human rights risks

presented in the *Guide to Human Rights Impacts Assessment and Management*, a joint publication of the International Business Leaders Forum and IFC, in association with the UN Global Compact.

We would also highlight this section of Guidance Note 1 regarding protection of human rights when clients are negotiating agreements with host governments as language that should be included in PS1 directly.

GN46. While not directly addressed in the Performance Standards, companies should also be mindful that agreements they negotiate with host governments, concessions, and similar entities not be drafted in a way that could interfere with the human rights of parties potentially affected by the project, and the state's bona fide efforts to meet its human rights obligations. States fulfill their human rights obligations in part by passing and enforcing laws. When negotiating stabilization clauses in these contracts, companies should not propose to impose economic or other penalties on the State in the event that the State introduces laws that are of general application and reflect international good practice in areas such as health, safety, labor, the environment, security, non-discrimination, and other areas that concern business and human rights.

A Standard Governing Environmental and Social impact assessments and equivalents: Overall Human Rights Due Diligence which includes climate change due diligence. The current PS provides that “good international practice” is the standard governing ESIA's. While we agree it is essential that a standard must govern the quality of environmental and social impact assessments prior to project financing decisions, human rights, harm prevention, and climate change due diligence requires that best available science and methods are instead used to assess and prevent these harms (see e.g. ICJ June 2025 Climate Advisory Opinion).

This higher standard is especially applicable to global north countries and IFIs like the IFC and MIGA with tremendous means and financial resources. The best available science, methods and standards apply to all aspects of the environmental and social impact assessment required under the performance standards for all risk categories, specifically it also applies to the impacts and mitigation assessments, and alternatives analysis components of environmental and social impact assessments. If clients do not have the knowledge or financial resources to ensure best available science or methods are used, the IFC/MIGA must ensure that best available science and methods are utilized by providing the necessary resources or technical assistance support or through consultants.

X. Financial Intermediaries

IFC detailed improvements that would be completed by FY22 regarding the application of E&S requirements to Financial Intermediaries, resulting from the External Review recommendations, namely: “D. **Clarifying IFC application of E&S requirements for financial intermediaries (FIs)** – updating procedures to clarify the application of the Performance Standards to sub-projects by FI clients and IFC supervision of such sub-projects. Introducing a web based Environmental and Social Management System (ESMS) diagnostic tool to help analyze ESMS's quality and identify gaps; implementing additional

disclosure requirements; expanding FI monitoring capacity and enhanced supervision of FI projects (ER para 128, 129, 220)” (External Review: IFC/MIGA Update of Non-policy Actions).

We request an update on these improvements and how they will be incorporated or referenced directly in PS1 and/or a standalone PS on Financial Intermediaries.

Disclosure of financial intermediary projects has been particularly problematic, which is concerning given they comprise more than half of IFC’s portfolio. This blocks communities who have suffered harm from accessing redress. We recommend explicit language requiring financial intermediaries to disclose IFC’s involvement, as well as the CAO’s existence, at the subproject level on project signage. This requirement must be programmed and confirmed at early project stages as it is vital for disclosure to exist effectively during stakeholder engagement, and prior to consultations with local communities. Other development banks have established policy language in this respect, for example:

The **African Development Bank’s** Operational Safeguard 9 para 28 (Financial Intermediaries) states that: “The FI will require the subprojects to disclose AfDB’s support to them, the existence of the project-level Grievance Redress Mechanism (GRM), the Bank’s Independent Recourse Mechanism (IRM) and ensure that this information is clearly visible, accessible and understandable to affected communities.”

The **Inter-American Development Bank’s** Environmental and Social Performance Standard 1. Assessment and Management of Environmental and Social Risks and Impacts. Grievance Mechanism at 39 establishes that: “The Borrower will inform project-affected people about the project’s grievance mechanism and the IDB’s Independent Consultation and Investigation Mechanism in the course of the stakeholder engagement process.”

XI. Enforcement, Monitoring and Review

Proposed measures to avoid, mitigate, and/or compensate for significant adverse impacts and to enhance beneficial impacts identified through the ESIA and ESAP processes, are more successfully implemented when they are treated and established as legally binding commitments. Consequences for failure to live up to those commitments must be sufficient to motivate and/or compel their realization. Further, when commitments are met and enforced, this builds public trust in the ESIA/ESAP process, which is essential for new investment proposals to succeed.²

Measures to avoid, mitigate, compensate, or enhance impacts must be drafted to be enforceable: a. realistic and feasible (technically and financially); b. effectively monitored for compliance and enforced; c. clear as to WHO is responsible, for WHAT, by WHEN, HOW compliance will be determined and achieved, with clear quantifiable performance expectations to the extent possible and what the consequences are

² International Association for Impact Assessment (IAIA), [International Best Practice Principles: Environmental/Social Impact Assessment Compliance and Enforcement](#), June 2023, p.1.

for a failure to comply, and WHY compliance is important in order to motivate staff and client compliance; and d. adaptive to new legal requirements, modifications, or triggers.

Other recommendations regarding audits, monitoring and community monitoring include:

1. E&S documentation should be kept comprehensively up-to-date on IFC's website, as set forth in the ESRP Manual. Including: role of audits / site visits for high-risk projects including those focused on energy, infrastructure, agribusiness, or involving land acquisition, as well as key E&S Deliverables such as ESAP Update and publication of material new client E&S information prepared by the Lead Environmental and Social Specialist.
2. Internal monitoring should be verified by an independent expert. A summary of monitoring results should be regularly disclosed to the wider public, with frequencies based on topic (e.g. annual disclosure of water monitoring data, Annual Monitoring Report, Supervision Monitoring Plans).
3. Depending on the type of project, scale and impacts audits should be required on an annual basis. Other projects may only require external audits or site-level reviews every three years. All such audits should be conducted by an independent, certified third-party. Summaries of audit findings should be made publicly available or upon request, beyond affected communities to include investors, civil society, and the wider public.
 1. All external experts must be independent. An external expert is defined as an individual or institution working outside of the World Bank Group possessing specialized subject matter expertise and knowledge, who will provide technical assessments with impartiality. This may be done through site visits, conducting all aspects of project review and operations.
4. A key part of monitoring and review entails the explicit identification of who will lead and enforce corrective and preventative actions, and punitive measures if PS requirements are not met. (e.g. Lead Environmental and Social Specialist, Project Leader, Regional ESG Advisory Leads, etc.)
5. IFC's Sustainability Policy should include clear procedures for communities to prepare and submit community-led monitoring reports that will be accepted by IFC as valid input for IFC's formal monitoring and supervision processes and reporting. Creating a clear path for community monitoring which is integral to IFC's official due diligence and reporting is vital to ensure stakeholder engagement throughout the project cycle.
6. There needs to be a strong definition of what activities (any and all activities) are "commensurate" with a project's risk, with explicit inclusion of the methodology of how it is judged and by whom, the latter of which should include impacted communities.

Case Example:

In the [Alto Maipo Hydroelectric Project](#) failed IFC to compel its client to carry out hydrogeological modelling as part of the adaptive management approach required by PS1 and Good International Industry Practice. This led to major flaws in tunnel construction resulting in collapses, accidents and

worker death. Impacts to the aquifer due to groundwater infiltration left long-lasting consequences to the [Maipo region](#).

XII. Stakeholder Engagement

We welcome ongoing conversations to build a mutual understanding for the creation of a standalone PS on Stakeholder Engagement which could correlate directly with Environmental and Social Standard 10 on Stakeholder Engagement and Information Disclosure of the World Bank's Environmental and Social Framework. A PS on Stakeholder Engagement would allow IFC to bring together all experiences and lessons learnt in one place creating a more streamlined policy and higher requirement for informed participation that can lead to broad community support through agreement bringing this in line with best practice internationally.

Organizations endorsing this submission have supported project-affected communities in their engagement and complaints for decades. As practitioners we have documented how of [all complaints](#) filed at the IFC's CAO since 1999, and complaints concerning projects under the current Sustainability Framework (which came into effect in 2012), a lack of adequate consultation and disclosure is one of the top issues raised in complaints. Meaningful engagement can only derive from properly informed stakeholders, for this we highly recommend the following:

1. PS1 should include explicit language requiring IFC monitor and confirm that its clients have disclosed all relevant project information. As part of this requirement IFC should have detailed procedures in place to ensure that all the necessary project information is available on IFC's website.
2. Stakeholder engagement process under the PS1 should be rethought and designed in a way that ensures that affected communities are treated as rights holders throughout the lifetime of a project, and not merely as stakeholders during initial consultation phases. This is particularly relevant for projects with significant impacts on the land, livelihoods and resources of communities who have customary land rights and land-based livelihoods.
3. PS1's stakeholder engagement process should empower the public and other stakeholders to advance ESIA/ESAP compliance through early and continuing engagement, a well-defined independent role in compliance monitoring, access to information, redress, and operational grievance mechanisms to seek remedies and resolve compliance concerns.³
4. IFC should establish a clear requirement that all projects and investments undertake a process of informed consultation with affected communities and other interested parties. Consultation should be inclusive and accessible to marginalized groups, and should identify and remove barriers to participation.

³ IAIA, op. Cit., p.6 (Principle 4).

5. All stakeholder consultation processes should take into consideration the chilling effects caused by the fear of retaliation with the aim of establishing spaces where affected communities are able to safely and freely share their views.
6. In the event of material changes or additions to an Action Plan, IFC should ensure that its client undergoes another full and thorough round of consultation, particularly with affected communities. No material changes should be made without due diligence that includes proper disclosure and feedback from impacted communities that should be incorporated into decision-making.

Currently, PS1 defines specific instances in which clients must engage in a process of Informed Consultation and Participation (ICP), and in such cases, under the Sustainability Policy, IFC is required to assess Broad Community Support. In practice, however, genuine Broad Community Support is rarely achieved, and often not even assessed. The ICP process for high-risk projects, especially land-intensive projects, needs to be significantly reformed. More than 60 organizations have endorsed a [policy proposal](#) for a new, rights-based approach to community participation, which includes important principles that should be reflected in both PS1 the Sustainability Policy, so that IFC and its clients have a responsibility to ensure that an informed consultation process leads to Broad Community Support when the ICP process is triggered.

The only way for communities to meaningfully participate in such a process is by ensuring that they not only have access to project related information, but also have independent technical and legal support to help them assess potential impacts, explore alternatives, and design community benefits. As described in the proposal, clients should engage in negotiations with affected communities based on a comprehensive understanding of the best available options to avoid impacts, limit their duration, restore land and resources, and ensure sustainable community benefits. Negotiations should be facilitated by independent and neutral mediators with a view to reaching rights-respecting, mutually beneficial, and binding agreements.

Case Examples:

IFC's client, Panama's state-owned electricity transmission company ETESA, was never inclined to conduct a proper consultation or Free, Prior and Informed Consent process with Indigenous Peoples as required by IFC's PS7 within the PL IV project. IFC advised ETESA through the [Board-approved Management Action Plan](#) without success until the project was deprioritized by the government.

After decades of harm resulting from the [CBG Bauxite Mine](#), information disclosure and proper consultation remained some of the core demands made by Guinean communities who lost land and livelihoods due to expropriation of ancestral lands.

XIII. Grievance Mechanisms at the Project and Management Level

At the outset IFC clients and sub-clients must be required to disclose the existence of, and share information about, the Compliance Advisor/Ombudsman (CAO) as an independent channel for grievance redress. Clients and sub-clients should also publicize the existence of project level grievance mechanisms. Some examples of policy language at other institutions are referenced here:

IDB Environmental and Social Policy Framework, para. 39:

“The Borrower will inform project-affected people about the project’s grievance mechanism and the IDB’s Independent Consultation and Investigation Mechanism in the course of the stakeholder engagement process.”

GCF Environmental and Social Policy, para. 12(c):

“ Within the parameters of the activities financed or proposed for financing by GCF, GCF will be responsible for: [...] Ensuring that accredited entities establish activity-specific grievance redress mechanisms as appropriate, cooperate with, and inform all stakeholders of, and provide access to the independent Redress Mechanism, and fully implement remedial actions stipulated by the Board on the recommendation of the independent Redress Mechanism...”

AIIB Environmental and Social Framework, para. 41:

“The Bank normally requires the Client to include in the ESMP: [...] (e) provisions for the Project’s GRMs, as well as a description of the PPM or other Bank-approved IAM and how they can be accessed.

AfDB Integrated Safeguards System, OS9 (Financial Intermediaries), para. 28:

"The [Financial Intermediary] will require the subprojects to disclose AfDB’s support to them, the existence of the project-level Grievance Redress Mechanism (GRM), the Bank’s Independent Recourse Mechanism (IRM) and ensure that this information is clearly visible, accessible and understandable to affected communities."

IFC non-policy actions to improve handling of grievances through PLGM, CAO and non-CAO complaints to be completed by FY22 included:

B. Enhancing project-level grievance mechanisms to better handle complaints at an earlier stage – strengthening client grievance mechanisms (GMs) and stakeholder engagement activities, through a GM portfolio audit, guidance notes, capacity development of clients, and training (External Review para 359, 365, 370)

C. Strengthening how IFC/MIGA handle CAO and non-CAO complaints – Established and strengthened the IFC Stakeholder and Grievance Response (SGR) function to proactively engage with both CAO and non-CAO complaints; roll-out training to IFC/MIGA project teams and set up a complaints tracking system. (ER para 359, 370, 236, 267), (External Review: IFC/MIGA Update of Non-policy Actions).

We request an update on these improvements and their relevance for inclusion or reference in PS1, the proposed standalone PS on Stakeholder Engagement or other sections of the IFC's SF.

Ensuring the effectiveness and verifying the performance of a project level grievance mechanisms should be a priority for clients as monitored by the IFC. Some ways of demonstrating the quality and legitimacy of a PLGM, could be the existence of an appeal process operated by an independent entity, i.e. E&S Auditors, NGOs or human rights offices, as well as, access to legal aid fund to provide assistance to complainants seeking to challenge the outcomes of a grievance mechanism.

Other recommendations for elevating effectiveness, transparency and predictability of management level grievance mechanisms are as follows:

1. **Effectiveness in providing remedies or resolving grievances.** To be effective and fulfill their mandates, grievance mechanisms must have staff in the MDB's country offices. GRMs should be near and easily accessible to the people who file complaints in order to provide swift solutions to the problems raised.
2. **Timeline.** Time is a central element in a negotiation or dialogue process. GRM involvement should be expedited to reach viable solutions in a timely manner, without unnecessary delays that may exacerbate harm. GRM's acknowledgment of its inability to solve a problem within an established timeframe is indispensable to ensure a complainant's right to access IAMs or to seek other avenues to obtain accountability and remedy.
3. **Effectiveness of the Accountability System.**
 - a. Avoiding dialogue fatigue resulting from multiple layers of engagement at GRMs. Often, before filing a complaint at the IAMs, communities have tried different avenues to obtain redress. The failure of previous instances (and methods) creates an aversion to continuing any dialogue. Uncertain processes can also eliminate opportunities for project teams to enable creative solutions. Ensuring that GRMs do not exacerbate harms or negatively affect the willingness of communities to engage in dispute resolution at IAMs should be a priority.
 - b. Institutional complexity. Very often communities struggle to understand how development banks operate, how their internal and independent accountability offices work and how to access them. Even if a community becomes aware of the existence of an IAM they do not necessarily grasp the concept of its 'independence' as part of the larger institution. Management level grievance mechanisms add another layer to the complaint-handling system, risking greater confusion for those seeking to file grievances. This confusion may discourage those who have been harmed from turning to IAMs if the GRM fails to resolve their issues.
 - c. Impartiality and independence to build trust in the mechanism. Impartiality and independence are fundamental for communities to place their trust and confidence in a potential dialogue process. However, from the perspective of communities, they are engaging 'with the MDB'. Consequently, the lack of resolution or poor engagement with

complainants at the GRM, can seriously undermine complainants' willingness to pursue another facilitated dialogue with the institution, this time using the IAMs.

4. **Transparency and Predictability** regarding the complaints received, the issues they handle and the timeframe for each process.
 - a. Complaint registries: GRMs should always keep a case or complaint registry containing detailed information about cases received, projects involved, country location, E&S issues raised, and if an agreement was reached a summary of the outcomes and/or result of the agreement. A lack of disclosure and transparency risks GRMs becoming opaque and untrustworthy.
 - b. Lack of predictability and transparency surrounding the process and/or expected outcomes: All GRMs should have clear grievance handling procedures and protocols available to communities. These procedures should provide detailed information about the type of issues the GRM can receive and resolve. As an example, GRMs should not be tasked with handling child sexual exploitation and abuse. It is essential to guarantee that the accountability system provides affected communities with access to IAMs at all times, avoiding unnecessary or unjustified delays that could lead to further harm.

5. **Procedures to address reprisals and risk of reprisals.** Initially some GRMs were set up to respond to issues of reprisals and risk of reprisals. Project-affected communities desperately need a well-defined office and knowledgeable staff to approach when they are at risk. Concern for security, anonymity and retaliation when approaching the GRM are all factors which complainants will have to consider. MDBs and IAMs have created valuable resources to enable enforcement of existing zero-tolerance on reprisals policies, we encourage the IFC to incorporate references to this guidance in PS1, the standalone PS on stakeholder engagement and other relevant sections of the SF.

Finally, the UN Guiding Principles on Business and Human Rights' **Effectiveness Criteria for non-judicial grievance mechanisms** (UNGP 31) has become an international standard for designing and assessing grievance mechanisms. It has been adopted and implemented by corporations and institutions worldwide, we recommend that IFC use this criteria as guidance for clients. Elements of this effectiveness require a PLGM to be: *legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source for continuous learning and based on engagement and dialogue.*

Case Examples:

In the [MHP-01/Vinnytsia Oblast](#) project operating poultry factories, Ukrainian communities alleged that MHP's grievance system was not accessible or culturally appropriate, and its treatment of anonymous complaints was also uncertain.

We hope these recommendations illustrate necessary improvements to Performance Standard 1 and related sections of IFC's Sustainability Framework. We are available to provide more information at your convenience.

Endorsing Organizations:

Bank Information Center
Association for Farmers Rights Defense, AFRD
Bank Climate Advocates
Friends of the Earth US
Gender Action
Sinergia Animal
Accountability Counsel
Industrious Labs
Inclusive Development International
Urgewald
Oxfam
Centre for Financial Accountability, India
Bio Vision Africa (BiVA), Uganda
Rainforest Action Network
Forests & Finance Coalition
Forest Peoples Programme
Derecho Ambiente y Recursos Naturales DAR, Peru

Submitted to the IFC/MIGA Sustainability Framework Update Team sustainabilityframework@ifc.org
November 18, 2025