



# **IFC/MIGA INTERIM APPROACH TO REMEDIAL ACTION**

**For Public Disclosure\***

\*The IFC/MIGA Remedial Action Framework was approved for implementation on an interim approach basis by the Boards of Directors of IFC and MIGA on April 3, 2025. This disclosure does not contain information pertaining to Board deliberations in line with the Access to Information Policies of IFC and MIGA.

**Contents**

**ACRONYMS AND ABBREVIATIONS ..... I**

**EXECUTIVE SUMMARY ..... II**

**I. INTRODUCTION.....1**

    I.A. BACKGROUND ..... 1

    I.B. CONTEXT AND PURPOSE ..... 2

*I.B.1. Sustainability Frameworks ..... 2*

*I.B.2. CAO Policy ..... 3*

    I.C. SCOPE..... 4

**II. PRINCIPLES.....4**

**III. STRENGTHENING PREVENTION, PREPARDNESS, AND ACCESS TO REMEDY .....4**

**IV. CONTRIBUTING TO REMEDIAL ACTION THROUGH A RANGE OF INSTRUMENTS .....5**

**V. IMPLEMENTATION OF THE RAF ON AN INTERIM APPROACH BASIS .....7**

## Acronyms and Abbreviations

Boards	Board of Directors of IFC and Board of Directors of MIGA
CAO	Compliance Advisor Ombudsman
CAO Policy	Compliance Advisor Ombudsman (CAO) Policy
CAPs	Corrective Action Plans
CODE	Committee on Development Effectiveness
CSOs	Civil Society Organizations
DFI	Development Finance Institution
E&S	Environmental and Social
ESAPs	E&S Action Plans
FCS	Fragile and Conflict-Affected Situations
FY	Fiscal Year
IAMs	Independent Accountability Mechanisms
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
MAP	Management Action Plan
MDBs	Multilateral Development Banks
MIGA	Multilateral Investment Guarantee Agency
PRI	Political Risk Insurance
Q1-4	Quarters of the Year
RAF	IFC/MIGA Remedial Action Framework
SFs	IFC/MIGA Sustainability Frameworks

## Executive Summary

**The Remedial Action Framework (RAF) aims to provide a structured approach to addressing harm arising from environmental and social (E&S) impacts of projects supported by the International Finance Corporation (IFC) / the Multilateral Investment Guarantee Agency (MIGA), focusing on prevention, preparedness, access to remedy and contribution to remedial action. It is consistent with the IFC/MIGA Sustainability Frameworks (SFs) and complements the Compliance Advisor Ombudsman (CAO) Policy (CAO Policy).**

**The RAF applies to all IFC-supported investment projects and all investment projects covered by MIGA political risk insurance (PRI) guarantees for which a complaint could be found eligible under the CAO Policy.**

**Under the IFC/MIGA Sustainability Frameworks, clients are responsible for managing E&S risks and impacts, as well as funding and implementing remedial action.** As developmental institutions, IFC/MIGA have a role to play in the context of a broader remedial action ecosystem. However, IFC/MIGA are not and cannot be the guarantors of E&S outcomes or remedial action nor can they act as insurers for costs related to remedial action for project related harm.

**IFC/MIGA's support of remedial action will vary, on a case-by-case basis, taking into account factors such as the type of investment/intervention and proximity to harm.** In cases of adverse E&S impacts causing harm, IFC/MIGA may contribute to remedial action through: (a) financial, contractual and/or relationship influence with clients and other responsible parties; and (b) enabling activities, including fact-finding, technical assistance, capacity building and/or community development activities. To determine the nature and scope of enabling activities, IFC/MIGA will consider factors such as: its role and exposure, assessment of harm, existing remedial actions, client capacity, leverage, and potential risks.

**Enabling activities are expected to be the form of IFC/MIGA contribution to remedial action in the majority of cases in which IFC/MIGA opt to supplement remedial action on the part of clients and other parties.** However, the RAF does not preclude IFC/MIGA from considering and proposing other options for remedial action.

**Direct funding of remedial action carries operational, legal, and financial risks for IFC/MIGA,** which have been considered in the development of the RAF. The RAF's primary focus on enabling activities is intended to minimize these risks.

**The proposed RAF takes into account feedback obtained from public consultations with a broad range of external stakeholders,** including civil society organizations (CSOs), independent accountability mechanisms (IAMs), IFC/MIGA clients, the International Bank for Reconstruction and Development (IBRD), and other development finance institutions (DFIs), as well as technical engagement with the CAO.

**The RAF was approved on April 3, 2025, by the Board of Directors of IFC and the Board of Directors of MIGA (the Boards) for implementation, on an interim approach basis, for three years (Q4FY25 – Q4FY28).** During this period, IFC/MIGA will regularly engage with various stakeholders and provide updates to the Boards. At the end of the interim approach implementation period, a final assessment will be conducted in consultation with CAO. Lessons learned and suggested refinements will be incorporated into a final policy.

## I. INTRODUCTION

### I.A. Background

1. **IFC and MIGA have developed robust SFs<sup>1</sup> which they implement through the conduct of E&S due diligence, project supervision, and provision of additional support to clients<sup>2</sup> through advisory services and technical assistance.** The E&S standards contained in the SFs constitute a critical element of IFC/MIGA’s value proposition for clients, helping them to avoid or minimize adverse E&S impacts, including in fragile and conflict-affected situations (FCS).
2. **An external review of the E&S accountability of IFC and MIGA, including the role and effectiveness of the Compliance Advisor Ombudsman (CAO) (the External Review), was initiated in 2018 by the CODE on behalf of the Boards.** The External Review panel presented its report to the Boards in June 2020. The report included several recommendations relating to remedial action<sup>3</sup> which IFC/MIGA committed to analyze further.
3. **In January 2021, IFC/MIGA established an interdepartmental working group chaired by two senior directors and supported by a joint IFC/MIGA technical team to explore an approach to remedial action.** From January to June 2021, IFC/MIGA reviewed theory, guidance, and practice related to remedial action, analyzing a broad variety of material to better understand relevant issues. Implementation practices related to remedial action, which are currently limited and ad hoc, were also reviewed, as were relevant aspects of IFC/MIGA’s own SFs. IFC/MIGA presented key considerations for an approach to remedial action to CODE in February 2022 and received general support for the proposed direction.
4. **Throughout the process, IFC/MIGA received feedback from the IBRD and other DFIs.** IFC/MIGA also engaged with CAO, including through dedicated brainstorming sessions and technical working group meetings held in March, April and May 2022. This engagement generated valuable insights from CAO’s practical experience of handling complaints. A paper outlining the key elements of the proposed initial “Approach to Remedial Action” was presented to CODE in October 2022, in preparation for public consultations.
5. **Public consultations, conducted by independent facilitators, took place between February 21 and April 20, 2023,** and included participation by a broad range of external stakeholders, including CSOs, other DFIs, IAMs, and IFC/MIGA clients. In addition to feedback from the dedicated consultation sessions, IFC/MIGA received written input, including a joint statement signed by 4,500 individuals and CSOs (also submitted to the Boards), as well as submissions from human rights think tanks, the Office of the High

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<sup>1</sup> IFC/MIGA Sustainability Frameworks are comprised of the Sustainability Policies (IFC 2012, MIGA 2013); Performance Standards on Environmental and Social Sustainability (IFC 2012, MIGA 2013) and Access to Information Policies (IFC 2012, MIGA 2013). A process to update the IFC/MIGA Sustainability Frameworks has commenced.

<sup>2</sup> Throughout this paper, the term “client” is typically used to refer to the project company. MIGA generally has no contractual relationship with the project company. Instead, MIGA’s contractual relationship is with the guarantee holder (e.g., equity investor or lender). MIGA exercises its contractual rights against its guarantee holder, which is then expected to use its contractual or shareholding influence/leverage on the project company. MIGA’s role in remedial action may be deemed more limited due to the absence of a direct contractual relationship with the project company.

<sup>3</sup> “External Review of the Environmental and Social (E&S) Accountability of the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), including the Compliance Advisor Ombudsman (CAO)’s Role and Effectiveness Report and Recommendations” (June 24, 2020), p. xvii.

Commissioner for Human Rights, CAO and other multilateral development banks (MDBs). Some of the written submissions were also provided by CSOs directly to the Boards.

6. **The consultations indicated strong support for the proposed holistic approach involving prevention, preparedness, and access to remedial action.** Following consultation, the approach was revised into a proposed RAF. However, gaps remain between some stakeholders' expectations and the scope of the RAF as approved for implementation on an interim approach basis. These arise from different perspectives on: (i) the roles and responsibilities of IFC/MIGA versus clients as laid out in the SFs; (ii) the risks arising from a remedial action framework that would serve to change these roles and responsibilities; and (iii) IFC/MIGA's influence/leverage to fully remediate harm given the roles and responsibilities of IFC/MIGA as described in the SFs.
7. **This IFC/MIGA RAF reflects feedback obtained** during the public consultations, discussions among IFC, MIGA, and IBRD, input from other MDBs, and meetings involving IFC/MIGA Board committees.

## **I.B. Context and Purpose**

8. **The RAF aims to provide a structured approach to addressing harm arising from E&S impacts of projects supported by IFC/MIGA,** focusing on prevention, preparedness, access to remedy and contribution to remedial action. The RAF is designed to frame IFC/MIGA remedial activities within the broader context of the current IFC/MIGA Sustainability Frameworks and the CAO Policy.

### ***I.B.1. Sustainability Frameworks***

9. **The SFs are the basis for determining compliance by IFC/MIGA** and our clients with the relevant E&S policies and standards respectively. They provide the cornerstone for prevention and mitigation of E&S impacts, the allocation of resources and channels to provide access to remedial action, consistent with IFC and MIGA's development mission.<sup>4</sup>
10. **The SFs require clients, by adhering to the Performance Standards, to apply a mitigation hierarchy to anticipate, prepare for, and avoid or minimize adverse impacts on workers, communities, and the environment.** Where negative impacts remain, the client is required to compensate for or offset risks and impacts as appropriate.<sup>5</sup>
11. **IFC/MIGA conduct due diligence of E&S risks at appraisal and regular monitoring of the project enterprise during project implementation.** As part of these efforts, clients are contractually obligated to comply with applicable requirements of the Performance Standards.<sup>6</sup> During supervision, IFC/MIGA monitor performance of the project and/or client against the requirements of the Performance Standards,

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<sup>4</sup> IFC Sustainability Policy paragraph 9 and MIGA Sustainability Policy paragraph 9.

<sup>5</sup> IFC Sustainability Policy, paragraph 6 and MIGA Sustainability Policy, paragraph 5.

<sup>6</sup> Performance Standards are directed towards clients, providing guidance on how to identify E&S risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement and disclosure obligations of the client in relation to project-level activities.

and where there are gaps, supplemental actions may be captured in amendments to E&S Action Plans (ESAPs) or additional Corrective Action Plans (CAPs).<sup>7</sup>

12. **IFC/MIGA require that clients establish an effective grievance mechanism** that facilitates early indication and prompt remediation of any project-related grievances.<sup>8</sup> Such project-level grievance mechanisms serve as the first port of call for complainants.
13. **In addition, IFC and MIGA have established internal grievance response functions** to acknowledge and prioritize the early and proactive resolution of concerns and complaints raised by project-affected communities directly to them.

### ***I.B.2. CAO Policy***

14. **Independent from IFC and MIGA Management, CAO receives complaints from people or communities who believe they have been affected by IFC- or MIGA-supported projects.** In executing its mandate, CAO facilitates access to remedy for project-affected people in a manner that is consistent with the international principles related to business and human rights included within the SFs.<sup>9</sup>
15. **The RAF complements the CAO Policy adopted in June 2021.** The Policy offers the option to refer complaints to IFC/MIGA (with the consent of the complainant) for early resolution prior to starting a CAO process.<sup>10</sup> It also allows for deferring a compliance investigation in certain scenarios if specified criteria are met<sup>11</sup>.
16. **The CAO Policy envisions that IFC/MIGA may be invited to participate in CAO dispute resolution processes.** The nature of IFC/MIGA's participation is considered on a case-by-case basis. Examples include: (i) encouraging clients to share project information to build trust; (ii) supporting provision of technical expertise within the structure of a CAO-led process;<sup>12</sup> (iii) participation in the dispute resolution process as an observer alongside clients; (iv) helping to bring other actors to the table if needed to catalyze solutions; and (v) supporting sustainable dispute resolution outcomes as part of ongoing project supervision.
17. **The CAO Policy also provides for CAO to make recommendations for IFC/MIGA to consider when developing a Management Action Plan (MAP) after a compliance investigation** "related to the remediation of Project or Sub-Project-level non-compliance and related harm, and/or steps needed to prevent future non-compliance, as relevant."<sup>13</sup> The CAO Policy requires that IFC/MIGA consult with complainants and clients in the development of MAPs and that actions that involve the client be agreed with clients prior to inclusion in a MAP. MAPs are ultimately approved by the IFC or MIGA Board, with

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<sup>7</sup> CAPs reflect findings from IFC/MIGA supervision processes. They are developed to address gaps identified during supervision and include additional actions that are needed to meet the Performance Standards. Clients are responsible for implementation of CAPs, and IFC/MIGA monitor their implementation.

<sup>8</sup> IFC Sustainability Policy, para. 12 and MIGA Sustainability Policy, paragraph 12.

<sup>9</sup> CAO Policy, paragraph 5.

<sup>10</sup> CAO Policy (June 28, 2021), paragraph 39.

<sup>11</sup> CAO Policy (June 28, 2021), paragraph 92.

<sup>12</sup> This may include sharing in-house specialist expertise, supporting the development of relevant Terms of Reference, supporting the search for technical experts, or, where appropriate, procuring external expertise or contributing to enabling activities as needed.

<sup>13</sup> CAO Policy (June 28, 2021), paragraph 120.

IFC/MIGA being responsible for supervising implementation of MAPs and providing progress reports to their respective Boards.

### I.C. Scope

18. **The RAF applies to all IFC-supported investment projects and all investment projects covered by MIGA PRI guarantees, provided that a complaint could be deemed eligible under the CAO Policy.** It outlines the scope and content of potential support of remedial action by the institutions. The framework underscores clients' responsibility for managing E&S risks and impacts and for implementing and funding remedial action. IFC/MIGA's support of remedial action will vary, on a case-by-case basis, considering the type of investment/intervention, IFC/MIGA<sup>14</sup> proximity to harm and other factors.

### II. PRINCIPLES

19. **Differentiated roles:** IFC/MIGA support the concept of a remedial action ecosystem in which various actors have different yet complementary roles to play in relation to remedial action.
20. **Client responsibility:** Clients are contractually obligated to comply with the Performance Standards and are responsible for addressing environmental and social risks and harm arising from projects.
21. **IFC/MIGA's roles:** IFC/MIGA's primary role lies with assessing client preparedness to identify, prevent and mitigate E&S risks, and the provision of access to remedial action through implementation of client-operated project grievance mechanisms. IFC/MIGA are not / cannot be guarantors of E&S outcomes or remedial action, nor can they insure costs associated with remedial action for project related harm. However, we have a role in exercising leveraging/influence and, where needed and appropriate, supporting enabling activities. IFC/MIGA are often only one of many financiers/guarantors of a project and need to act in the context of the broader remedial action ecosystem.
22. IFC's Articles of Agreement stipulate that 'the Corporation shall not assume responsibility for managing any enterprise in which it has invested (Article III, Section 3 (iv)). IFC therefore does not/cannot control clients or the day-to-day operations of the projects we support. Similarly, since MIGA provides PRI guarantees to investors rather than investing in projects, MIGA does not control clients or the day-to-day operations of MIGA-supported projects. Any contributions by IFC/MIGA to remedial action will therefore be voluntary in nature and should not be construed as an admission of any duty/liability.

### III. STRENGTHENING PREVENTION, PREPARDNESS, AND ACCESS TO REMEDY

23. **Prevention:** IFC/MIGA are regularly introducing new tools to strengthen E&S risk management during project appraisal and supervision (e.g. contextual risk screening). These tools are also enhancing the use of due diligence and supervision processes to prevent harm before it occurs, in line with the existing Sustainability Frameworks.

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<sup>14</sup> MIGA, as a PRI guarantee provider, does not invest in projects but provides PRI guarantees, making MIGA one step further removed from projects as compared with IFC and other investors. This difference means MIGA's role in a project and its influence/leverage on a project company are different than that of an equity holder or lender. For this reason, the roles and responsibilities of MIGA in the implementation of the proposed RAF take into account the differing role of MIGA and MIGA's guarantee holder in project structures.



24. **Preparedness:** IFC/MIGA are strengthening the assessment of client preparedness and capacity (both financial and technical). IFC/MIGA are developing guidance material and staff training to: (1) strengthen assessment of client commitment and preparedness, and (2) assess the potential sources and extent of influence/leverage that IFC/MIGA may have with a client or relevant third parties, specifically with respect to influencing actions on E&S issues. IFC/MIGA will also review existing contractual provisions and consider changes to better signal the importance of addressing E&S impacts, increase preparedness for remedial actions if necessary and better position IFC/MIGA to exercise influence/leverage through the project cycle. IFC/MIGA will also focus on capacity building for low-capacity clients, particularly in IDA/FCS countries, to build their risk mitigation capabilities and their preparedness and understanding of their responsibility for providing remedial action if impacts occur that result in harm.
25. **Facilitating access to remedy through grievance mechanisms:** As part of the holistic approach to remedial action, IFC/MIGA promote mechanisms to facilitate access to remedy for affected communities, including project-level and institution-level grievance mechanisms, and CAO. IFC/MIGA clients are required to provide access to an effective grievance mechanism that can facilitate early indication of, and prompt remediation of various project-related grievances. In addition, IFC and MIGA have established internal grievance response functions providing another pathway for responding to E&S concerns arising in IFC/MIGA projects. Finally, CAO receives complaints from people or communities who believe they may have been affected by an IFC- or MIGA-supported project and facilitates resolution.

#### **IV. CONTRIBUTING TO REMEDIAL ACTION THROUGH A RANGE OF INSTRUMENTS**

26. **IFC/MIGA role and types of contribution:** Where adverse E&S impacts arise in connection with an IFC/MIGA supported project resulting in harm, IFC/MIGA as developmental institutions have a role to play in the context of the broader remedial action ecosystem, and may contribute to remedial action in the following ways:
- **Use available financial, contractual and/or relationship influence and leverage** to encourage clients and other responsible parties to take remedial action to address harm. This starts with the client. Engaging other responsible parties may include project sponsors, co-financiers, host or local government entities (such as regulators and municipal authorities), and other relevant stakeholders to catalyze a coordinated response to harm. Depending on the type of transaction, IFC/MIGA's client may be a financial intermediary, an investor or a project owner. Therefore, the client may have differing roles and levels of influence vis-à-vis harm and associated remedial action.
  - **Provide support for enabling activities**, including fact-finding, technical assistance/capacity-building and/or community development activities, as described in more detail in Box 1, below.

*Box 1. Examples of Enabling Activities*

- (i) **Fact-Finding** – Seeking to complement CAO processes (dispute resolution and compliance) through funding the engagement of independent third parties, to provide additional information that can inform the design of remedial action by a client.
- (ii) **Technical Assistance and Capacity Building** – Funding of technical assistance/training to project-affected communities to address environmental impacts (e.g., water pollution, contamination, etc.) and to clients to build awareness/capacity and to assist them in implementing and monitoring corrective actions.
- (iii) **Community Development Activities** – Funding the design, launch and/or implementation (as appropriate) of a local development program to address development challenges faced collectively by a community. Such programs would be developed in consultation with affected communities and implemented through various partners as appropriate. For illustration purposes, this could include establishing dedicated facilities such as a job training centers or other social services.

27. A range of factors will be considered in defining the appropriate nature and scope of the proposed enabling activities, including amongst others: avenues of remedial action that has already been undertaken by a client and/or other stakeholders within the broader remedy ecosystem and the feasibility of additional avenues; IFC/MIGA's role in the relevant project and the type of IFC/MIGA exposure, e.g. direct or through a financial intermediary; extent and nature of the E&S harm, IFC/MIGA's proximity to that harm, and the roles played by other relevant investors / other parties in the project; the presence of a client and its capacity/ability (technical and financial) to address the situation; IFC/MIGA's remaining influence/leverage over the client, former client, or other relevant parties in the remedy ecosystem; potential for disincentivizing clients, co-financiers, or other investors from addressing the situation; and risk of exposing IFC/MIGA to open-ended liability. Decisions related to the scope and type of IFC/MIGA financial contributions to remedial action will be undertaken on a case-by-case basis by IFC/MIGA Management. MAPs proposed in response to the CAO compliance investigations will be subject to Board approval.
28. Although enabling activities are expected to be the preferred mode of engagement for IFC/MIGA in the majority of cases where project level remedial action by IFC/MIGA is warranted, the RAF does not preclude IFC/MIGA from considering and proposing for Board approval other modalities.
29. Any remedial scheme that involves direct funding (i.e., IFC/MIGA use of their own financial resources) poses a sliding scale of operational, financial and legal risks. Schemes for enabling activities which contemplate the provision of ad hoc capped funding in support of client's or other actors' efforts lie at the lower end of the risk scale, whereas the funding of large size, stand-alone community development activities or the provision of financial compensation pose enhanced risks. Such schemes could: disincentivize clients in terms of compliance with their obligations and implementation of remedial action; adversely impact IFC/MIGA financial standing; lead to risk aversion in high contextual risk projects, especially in IDA/FCS countries or frontier regions of middle/lower income countries; and enhance legal risks in the increasingly litigious environment in which IFC/MIGA are operating. Providing financial compensation would lead IFC/MIGA into uncharted territory for MDBs, possibly affecting the established principles of limited liability for minority investors, lenders, and guarantee providers and altering IFC/MIGA's risk profiles in ways that are difficult to quantify in advance. Moreover, IFC/MIGA are disadvantaged vis-a-vis other DFIs due to an uneven playing field (as no other DFI has to date put forward an explicit approach to remedial action).

30. **These risks have been considered in the development of the RAF**, and the proposed focus on enabling activities aims to minimize them. When considering the proposed RAF at the end of the RAF interim approach implementation, the Boards will need to carefully evaluate these risks against IFC and MIGA's development mandates and Board-approved strategies.
31. **Funding of remedial action:** In the case of IFC, funding for contributions to remedial action will be sourced through the underlying project's funding structure, donor trust funds, or IFC's administrative budget or operational risk capital. MIGA is not a lender/investor, therefore, any funding by MIGA of remedial action activities will be limited to available trust funds or existing budgetary resources.

## V. IMPLEMENTATION OF THE RAF ON AN INTERIM APPROACH BASIS

32. **Approach.** Due to the novelty of the RAF approach, IFC and MIGA have obtained approval to undertake implementation on an interim approach basis, guided by IFC/MIGA Management Directives, before submitting a full policy proposal to their Boards. This will allow IFC/MIGA time to test the RAF approach, define key performance indicators, draw lessons from experience and refine it. This interim approach implementation will also allow IFC/MIGA to strengthen approaches to assessing client capacity and commitment to implement remedial action, explore enhancements to client and IFC/MIGA grievance and complaints mechanisms and better test IFC/MIGA leverage/influence on client remedial action through their respective institutional project cycles.
33. **Duration.** The interim approach will be implemented for a period of three years, from Q4FY25-Q4FY28, thereby benefitting from overlap with the review of the CAO Policy, and update of the IFC/MIGA Sustainability Frameworks, implementation of additional MAPs and further experience gained from implementation of the IFC/MIGA direct complaints mechanisms.
34. **Stakeholder engagement & communications strategy.** IFC/MIGA will communicate the approach it has adopted on its website. IFC/MIGA will also engage with interested stakeholders at regular intervals to (a) receive input and (b) convey relevant updates.
35. **Lessons learned:** Insights from the interim approach implementation will be compiled and presented to the Boards, and related refinements will be integrated into a final policy.
36. **Monitoring and reporting.** Within the first six months of the interim approach implementation period IFC/MIGA will, in consultation with CAO, define and track key performance indicators related to its efficiency and effectiveness, which will be used to monitor implementation of the interim approach. IFC/MIGA will keep the Boards informed of progress through briefings and annual monitoring reports during the interim approach period. A final assessment will be undertaken at the end of the interim approach period, in consultation with CAO.