

External Review: IFC/MIGA Update of Enabling Remedial Solutions

1. The *External Review of IFC's and MIGA's Environmental and Social Accountability, including the Compliance Advisor Ombudsman (CAO)'s Role and Effectiveness* (the External Review or "ER"), made a number of recommendations to strengthen the E&S accountability of IFC and MIGA. The responses to the recommendations have been clustered into three areas to facilitate implementation: (1) the IFC/MIGA Independent Accountability Mechanism (CAO) Policy; (2) non-policy actions for IFC/MIGA to implement; and (3) an IFC/MIGA approach for enabling remediation. There are also a few recommendations directed at the CAO, which the CAO is handling separately.

2. A Working Group has been established to review issues and options on enabling remedial solutions and began its work focusing on identifying various external concepts and models related to remedial solutions. Key milestones in developing Enabling Remedial Solutions Recommendations are as follows:

Work program of Working Group

- ✓ Research and Exploration (Q3 and Q4 of FY21)
- ✓ Preparation of Issues and Options Paper (Q1 and Q2 of FY22)
- ✓ Deliver Issues and Options Paper to Committee on Development Effectiveness (CODE) (end Q2 of FY22)
- ✓ Stakeholder consultation on Issues and Options Paper (Q3 of FY22)
- ✓ Development of Recommendations for IFC/MIGA Management, to present to Board (end Q3 of FY22)

3. Through the application of our Sustainability Frameworks, IFC/MIGA are exploring a holistic approach for enabling remedial solutions. The Working Group will:

- Review the experience of and lessons from existing and planned approaches of other entities, relevant to IFC/MIGA's business model, for example: UN Guiding Principles on Business and Human Rights (UNGPs); OECD Guidelines for Multinational Enterprises (OECD Guidelines); Dutch Banking Sector Agreement (DBA); and implementation of various initiatives by formal and informal banking sector organizations and networks, export-credit agencies, and think tanks.
- Review elements available and IFC/MIGA leverage for enabling remedial solutions within the current IFC/MIGA Sustainability Frameworks, including seeking a "Responsible Exit" from projects – expressly taking E&S factors into account alongside economic considerations in the exit decision-making process.
- Review the IFC/MIGA grievance mechanism framework, which includes project level grievance mechanisms, operational grievance response systems within IFC and MIGA, and CAO.
- Study select experiences from the private sector, particularly commercial financial institutions.
- Review options for enabling remedy measures and combinations thereof that might be appropriate depending on the project circumstances and the nature and extent of the adverse impacts on affected communities. IFC/MIGA recognize that the roles and differentiated responsibilities of various actors involved in enabling remedy – as opposed to providing or contributing to it – need to be clearly identified, in order to avoid a blurring of the lines between the financier and the client. IFC/MIGA also will assess potential impacts on clients' competitiveness, litigation risk, and moral hazard, as well as the risk of unintentional incentivization of complaints against projects.
- Analyze access to other grievance response opportunities, including judicial and non-judicial processes, and how IFC/MIGA efforts on enabling remedial solutions relate to such processes to address adverse impacts connected with IFC/MIGA financed/guaranteed projects.

4. IFC/MIGA will be conducting informal consultations throughout the process with stakeholders while closely consulting with CAO. Stakeholder consultations on the 'Issues and Options' paper is planned for the beginning of Q3 of FY22, informing recommendations to be submitted to IFC/MIGA Boards in Q3 of FY22.