



IFC Environmental & Social Risk Management | Advisory Services

IN PARTNERSHIP WITH



giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

WHAT WE DO

IFC, a member of the World Bank Group, focuses on the private sector to promote growth, reduce poverty, and improve people's lives in developing countries. IFC is the world's largest multilateral financier for companies that do business in emerging markets. We finance and advise clients to support profitable and sustainable business development in these markets.

IFC's Access to Finance Advisory Services (A2F) help increase the availability and affordability of financial services for individuals and micro, small, and medium enterprises.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT



Environmental and social risk management (ESRM) is a new product under testing in Access to Finance Advisory Services (A2F). The product aims to support financial intermediaries (FIs) in improving their environmental and social risk management practices, ensuring that their lending to economic activities does not come at the cost of human well-being, natural resources, and vital ecosystems. FIs stand to benefit from this product as it helps them to protect their lending portfolios from business risks and also enables them to identify new business opportunities that the green economy offers.

The ESRM product addresses the following key barriers in emerging markets:

- Absence of key market drivers, weak policy environment in banking regulations and perceived high transaction costs
- Limited technical capacity within FIs on how to integrate E&S risk management into operations
- Limited understanding of E&S risks and how reputation and long-term performance may be impacted

INITIATIVES BY BANKING REGULATORS

- **Bangladesh** In 2011, IFC and Bangladesh Bank, the country's central bank, co-developed the national Environmental Risk Management Policy and Strategy Framework, which was made mandatory for financial sector institutions.
- **China** Building on China's Green Credit Policy introduced in 2007, IFC supported the China Banking Regulatory Commission to develop and implement Green Credit Guidelines, which outline green lending by banks as well as managing banks' own footprint.
- **Nigeria** The Central Bank of Nigeria issued a circular, developed along with IFC as technical adviser, for financial institutions mandating an E&S risk management framework and E&S risk assessment and mitigation in financing activities based on the Nigerian Sustainable Banking Principles.
- **Vietnam** IFC is working with the State Bank of Vietnam to develop and implement the Environmental & Social Risk Management Guidelines expected in 2014.

SUSTAINABLE BANKING NETWORK

At the First International Green Credit Forum in Beijing in May 2012 hosted by IFC and the China Banking Regulatory Commission (CBRC), delegates representing banking regulators from 12 countries requested that IFC facilitate a regulator network to support collective learning, networking, and knowledge sharing. In response, IFC launched the Sustainable Banking Network (SBN) in September 2012 for banking regulators and associate partners with interest in developing environmental & social risk management policies and green credit guidelines for the financial sector in their markets. Network membership is expanding and includes representatives from Bangladesh, Brazil, China, Indonesia, Lao PDR, Mongolia, Nigeria, Peru, Thailand and Vietnam.

As the Network Secretariat, IFC plays the role of facilitator including organizing meetings, providing an online knowledge management platform, facilitating bilateral exchange, and providing technical advice and support to Network members on policy development.



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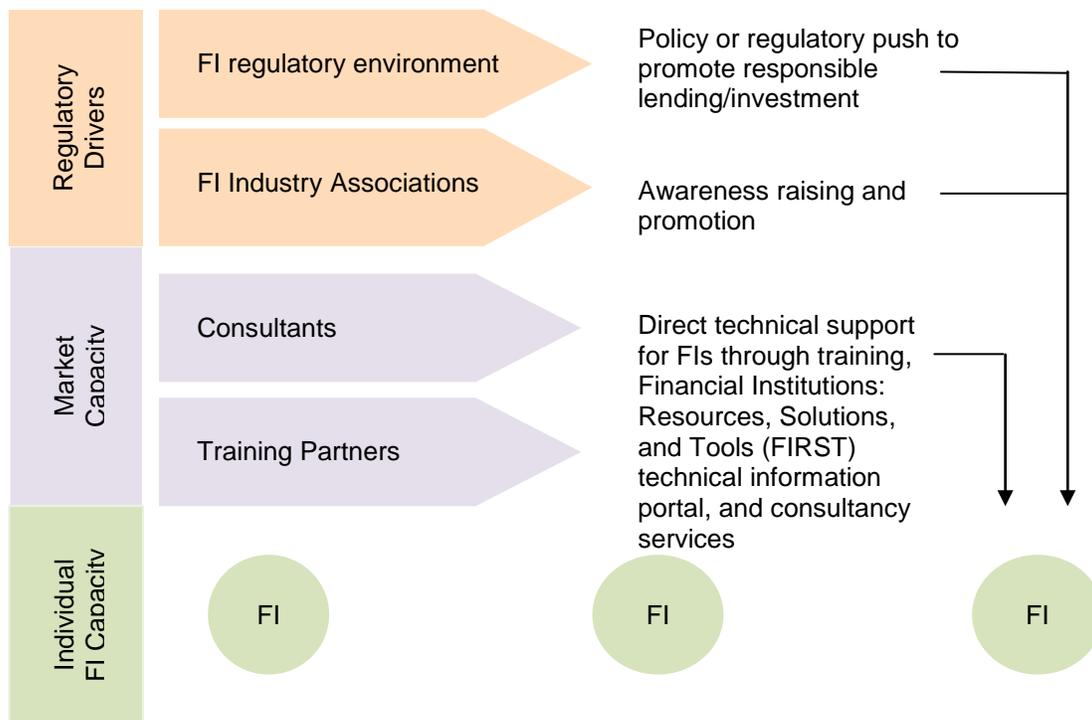
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IFC ADVISORY SERVICES

HOW WE HELP

IFC's ESRM product takes a multi-level approach by working to strengthen regulatory drivers, develop market capacity, as well as working with individual FIs. The program aims to support regulators by developing thematic guidelines outlining key E&S principles for regulators along with developing a capacity-building program to support guideline development, integration, and enforcement. The program also helps develop local market capacity through the FIRST (Financial Institutions: Resources, Solutions and Tools) for Sustainability Portal, a one-stop shop for financial institutions to get information and learn about the benefits of environmental and social risk management and how to identify and take advantage of environmental business opportunities. While this platform serves as a technical anchor, the ESRM program also aids in helping to identify partners to support in the implementation process. Finally, the program will develop an E&S diagnostic tool to allow FIs to perform a gap analysis of their E&S management system with respect to existing procedures, their practices in dealing with E&S risks in portfolio management, and finally an outline of enhancements needed to meet market standards.



Our Partners support IFC's Access to Finance Advisory work globally.



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