

IFC E&S REVIEW PROCEDURES

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INTRODUCTION

The International Finance Corporation's (IFC) Environment and Social Review Procedure (ESRP) outlines the process through which IFC staff implement the Corporation's commitment to promoting projects that are socially and environmentally sustainable. This commitment is a fundamental part of IFC's mission and is elaborated on in IFC's Policy and Performance Standards on Social and Environment Sustainability (PS) as well as in IFC's Policy on Disclosure of Information (the Disclosure Policy). The IFC Policy on Social and Environmental Sustainability and the Disclosure Policy outline the outcomes that IFC must achieve while the Performance Standards (PS) outlines the outcomes that the client must achieve.

The ESRP applies to the full range of IFC's investment activities: direct lending to private enterprises (including both corporate and project finance); lending to financial intermediaries; minority equity/shareholding in companies, financial institutions, and other entities; structured finance products (guarantees, securitizations); and municipal finance.

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

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

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

Assessing and managing social and environmental impacts in a manner consistent with the PS is the responsibility of the client. IFC's responsibility is to review the work of the client, identify opportunities to improve outcomes, and ensure consistency with policy requirements. IFC's approach is to take full advantage of any work undertaken by the client before IFC's own entry into the transaction, thus minimizing additional

processing burdens where it is possible to do so while still meeting the Corporation's policy requirements. Of particular importance in the PS is the adequacy of the client's ESMS. IFC's investment or advisory support is used to influence and improve performance whenever possible.

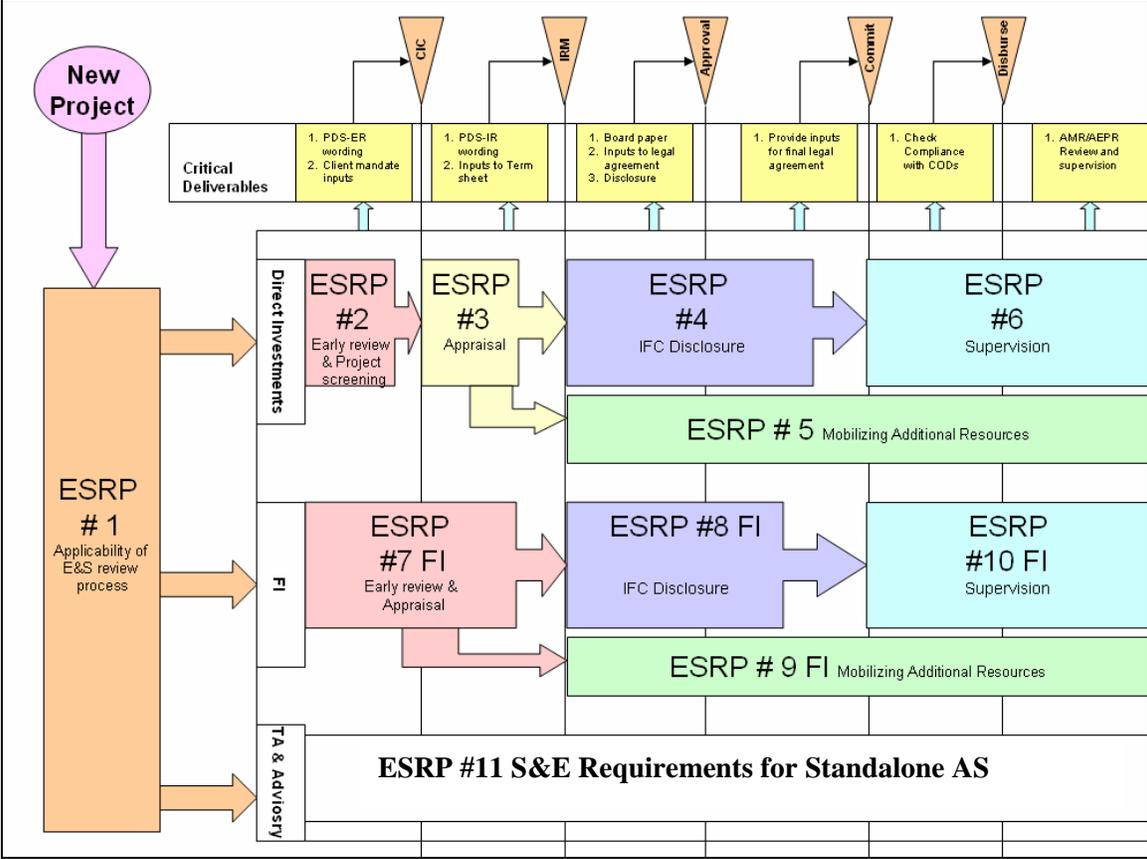
The ESRP includes an amended categorization methodology, which categorizes projects according to potential adverse impacts after IFC's review rather than during initial screening. Categorization was previously used as a determinant of certain procedural requirements for the client relating to assessment, community engagement and disclosure. The ESRP recognizes that all outcome requirements of the client have now been captured in the culmination of IFC's due diligence process which characterizes the severity of the potential S&E impacts and indicates the commensurate IFC institutional disclosure.

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

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

As IFC implements the strategy of decentralizing authority of decision making, some of the roles and responsibilities will be transitioned from the current structure. The Asia pilot is the first step in this process and thus the authority of the Manager CESIG in Hong Kong and the Team Leader in Delhi will be authorized to the extent outlined in Annex 1.5.1

OVERVIEW OF THE PROCEDURES



KEY TERMS AND ACRONYMS

TERM	DESCRIPTION
Action Plan	The Action Plan as defined in Performance Standard 1.
ACS	Administrative Client Support assigned to a unit to provide administrative support.
Additionality	The development impact that will be achieved because of IFC's participation in a project. This is articulated in the Board paper.
Advisory Assignment	A financial or policy advisory assignment where IFC proposes to carry out an activity for a fee.
AIS	Appraisal Information Sheet.
AMR	The S&E Annual Monitoring Report.
Applicable Performance Requirements	The elements of the IFC PS that are applicable to a specific project as determined by a review of the project in general, including specific elements that are identified during the review of the project, as well as all applicable provisions of the national laws and regulations. In the case of FIs, this may be the combination of an exclusion list, the national laws and regulations, and the elements of the IFC PS in general, including specific elements of the IFC PS that are identified during the review, and that are applicable to sub-projects supported by the FI and implemented through the FI's SEMS.
Area of Influence	The Area of Influence as defined in Performance Standard 1.
AS	Advisory Services.
BCS	Broad Community Support, a collective expression by the affected communities, through individuals and/or their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project.
BTO	Back To Office report.
CAO	The Office of the Compliance Advisor/Ombudsman, which provides a mechanism to enable individuals and communities affected by IFC projects to raise their concerns to an independent oversight authority.
Category A	Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.
Category B	Projects with potential limited adverse social or environmental impacts that are few in number, site-specific, largely reversible, and readily addressed through mitigation measures.
Category C	Projects with minimal or no adverse social or environmental impacts.
CBF	Capacity Building Facility.
CCF	Corporate Citizenship Facility.
CEEF	Commercializing Energy Efficiency Facility.
CES	IFC's Environment and Social Development Department.
CESIG	The Investment Support Group of CES which is responsible for the S&E due diligence for IFC's investments.

CES Specialist	A staff member of CES who supports the project team.
CFN	IFC's Private Equity and Investment Funds Department.
CGF	IFC's Global Financial Markets Department.
CIC	Corporate Investment Committee.
COD	Conditions of Disbursement.
Commitment	The stage in the IFC project cycle once the legal agreements have been signed.
Corporate Investment	A transaction in which: (i) the use of proceeds is not limited to specific assets and the application of which is at the discretion of company management; (ii) the proceeds are for specific corporate activities, e.g., restructuring, financial engineering, long-term strategic support, or corporate-wide investments; or (iii) IFC is making a subscription for shares in a private company.
DFO	Donor-funded operations, specifically IFC-managed operations that are funded by donors.
Direct Investment	Investment made by IFC in a company or other legal entity where the investment proceeds are utilized by that company or legal entity or their subsidiaries and/or affiliates.
Director CES	Director of IFC's Environmental and Social Development Department.
DOTS	Development Outcome Tracking System which tracks the overall development outcome of IFC projects by assessing the following components throughout the project life cycle: <ol style="list-style-type: none"> 1. Financial performance; 2. Economic performance; 3. Social and environmental performance; and 4. Broader private sector development impacts.
ESCM	Clearance Memorandum that is prepared by the Lead Specialist for Category A and B projects.
ESRD	The Environment and Social Review Document that covers project review, analysis, and decision-making from the early review stage through supervision until the project is closed. The ESRD will include social and environmental ratings of the Performance Standards and tracking of project attributes; a subset of this will be incorporated in the DOTS.
ESRP	Environmental and Social Review Procedure.
ESRR	Environmental and Social Risk Rating. A tool used by IFC to estimate the potential social and environmental risk of projects. ESRR includes in its computation an element of performance and risk. The computation methodology varies between the Direct Investment and Financial Intermediary projects.
ESRS	Environmental and Social Review Summary, the document through which IFC publicly discloses how a project was reviewed and the rationale for

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

	plans, technical documentation of pollution control approaches and criteria, applicable legal and regulatory frameworks, and community engagement activities. This information is usually provided by the Transaction Leader.
IRM	Investment Review Meeting. After completion of project appraisal, the Director of an IFC Investment Department chairs this meeting, which is the basis for IFC management approval of the project. The full project team attends the IRM as appropriate.
Lead Specialist	The social and environmental specialist responsible for leading and managing the social and environmental review of a proposed investment in collaboration with other social and environmental specialist(s) on the project team.
Manager CESIG	The Manager of the CES Investment Support Group.
Market Instrument	A financial instrument where the instrument holder has limited influence, or none, over the operations of the issuer of the instrument. This may include listed equity, commercial paper, bonds, and other debt or equity instruments that are traded in the market.
MOR	Monthly Operations Report included in the PSD-ER.
NOP	No Opinion Possible.
PDF	Project Development Facility managed by IFC.
PDS-ER	Project Data Sheet – Early Review.
PDS-IR	Project Data Sheet – Investment Review.
Peer Review Meeting	A peer review meeting is typically held during the early stages of appraisal for all Category A projects and for Category B projects that have unique or difficult issues. The purpose of a Peer Review Meeting is to achieve consistency in professional judgment and to learn from one another.
PEP	Private Enterprise Partnership managed by IFC.
Project Assessment Information	All assessment and management related information describing the potential S&E impacts of the business activity being considered for an IFC investment, including previously prepared assessment reports, planning and concept documents, project-related environmental or social studies and plans, technical documentation of pollution control plans and criteria, applicable legal and regulatory frameworks, and community engagement activities (information disclosure, dissemination, consultation, and other participatory processes). This can also include information collected during discussions with the client.

Project Attributes	Project information and indicators collected for all investments in order to determine the social and environmental characteristics and footprint of the portfolio. This information is then used to track issues over time and to communicate the S &E impacts and outcomes of our investments.
Project Data Sheet (PDS)	A document prepared by the project team that contains a project description, and details of the potential investment, highlights any policy issues and potential deal-breakers, reviews IFC's role in the project and development impact, and outlines issues and policy concerns (including project categorization). The PDS is continually updated during project appraisal and is a key decision document for the Investment Review Meeting.
PS	Performance Standards.
PSR	Project Supervision Report.
Retail Operations	For an FI where the financing or financial service is provided only to individuals, such as credit cards, personal loans, home loans, vehicle leasing.
RFP	Request for Proposal.
SPI	Summary of Proposed Investment, a document prepared by the Investment Department and publicly disclosed in accordance with IFC's Disclosure Policy.
Supplemental Actions	Additional or corrective actions to be taken by the client, to be incorporated in the Action Plan to address any gaps in the project meeting the IFC performance requirements or as a result of new information.
SEMS Enhancements	The Supplemental Actions as relevant to an FI and applicable to the SEMS.
S&E	Abbreviation for Social and Environmental (including Health and Safety).
S&E Category	The social and environmental serves as an indication of the nature and extent of potential S&E impacts that the project is expected to have and indicates the IFC institutional disclosure requirements.
SEMS	The Social and Environmental Management System. The documented or implemented assessment and management elements that enable the client to meet the requirements of the IFC PS, including policy and procedure, S&E assessments and implementation, organization structure, S&E Management program, technical and management capacity, training, community relationships, financial resources, S&E monitoring, and reporting. In the case of FIs, this refers to the elements of the SEMS, and includes FI S&E policies and review procedures, S&E organization structure, financial and human resources, and internal and external S&E reporting that are required to apply the applicable performance requirements effectively in sub-projects.
SEPR	The S&E Performance Report provided by an FI client.

Standalone AS	Facilities or activities that are managed by IFC and that are set up with or use some combination of donor funding, IFC grant funding, or third-party funding to support specific regional or sectoral activities. Activities include providing technical assistance, special financing, advisory services, and training but that are not in conjunction with a Direct Investment project.
TAPP	Technical Assistance Project Profile.
TATF	Technical Assistance and Trust Funds.
Team Leader	The leaders of teams within CESIG who are responsible for the CES specialists working with specific Industry Departments.
Technical Discussions	Similar to a peer review meeting but focused on a narrow issue with selected experts on that particular issue (s).
ToR	Terms of Reference.
Transaction Leader	The representative of the Investment Department of IFC who is responsible for managing the overall transaction for an investment or advisory project.
Transboundary Issues	Environmental issues, such as air pollution and abstraction of water from, or pollution of, international waterways.
XPSR	Expanded Project Supervision Report which is a five year retrospective review of IFC's investment.

1 DETERMINING THE SCOPE OF THE S&E REVIEW PROCESS

1.1 Purpose and Applicability

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

1.2 Procedure

1.2.1 The Transaction Leader arranges for an early concept review meeting with S&E participation.

1.2.2 The Team Leader (for projects with delegated authority under the Asia Pilot see Annex 1.5.1), or S&E specialist assigned by the Team Leader participates in the early concept meeting.

1.2.3 Once it is determined that a project will move forward, the Team Leader assigns the Lead Specialist, additional social or environmental specialists as required to support the Lead Specialist in the project review and appraisal, and the Administrative Client Support (ACS). In high risk projects, the Team Leader should consult with the Manager CESIG prior to assigning a team.

1.2.4 The Lead Specialist shall classify the project as one of the following types:

- a. Direct Investments;
- b. Financial Intermediary Investments;
- c. AS related to Direct Investment; or
- d. Standalone AS (not related to an IFC investment) project.

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

1.2.5 Ensure that the investment or service is not in contravention of IFC's "Exclusion List" as provided in Annex 1.5.2

1.2.6 For all Direct Investments, go to Procedure No.2

1.2.7 For Financial Intermediary Investments that support business activities without any material adverse S&E impact potential, no further review is required (Category C). Examples include:

- a. Where the Financial Intermediary's financing is aimed only at improving the efficiency of capital (e.g., financial restructuring) and will not be used for physical facilities or assets; or

- b. The Financial Intermediary funds activities with minimal or no adverse impacts, such as activities that produce no significant wastes or emissions to the environment. Record the decision and the rationale in ESRD; provide wording for MOR, PDS-IR, and SPI as per annex 1.5.3; inform the Team Leader of the determination and go to Procedure No. 8.

1.2.8 The Lead Specialist is responsible for obtaining clearance from the Team Leader that a Category C designation is appropriate. The Team Leader must clear the Category C designation in the ESRD.

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

1.2.10 For Advisory Services projects that are related to projects that are being considered for a Direct or FI Investment, follow the review process for the main investment as defined in these procedures:

1.2.11 For a Standalone AS that is not related to a Direct IFC Investment, go to Procedure No 11.

1.2.12 After the ACS has created an ESRD template for the project, the Lead Specialist will record general information about the investment under consideration and enter the classification decision and the rationale in the ESRD. If a category C is assigned, obtain clearance from Team Leader via ESRD.

1.2.13 Provide wording for MOR, PDS-IR, and SPI as per annex 1.5.4; and go to Procedure No. 3.2.20.

1.3 Responsibilities

- 1.3.1 The Transaction Leader is responsible for:
- a. Calling for an early concept review meeting;
 - b. Providing the Lead Specialist with the information necessary to determine the scope of the project's S&E Review in accordance with this procedure; and
 - c. Entering the S&E team assigned by the Team Leader into iDesk.

- 1.3.2 The Lead Specialist is responsible for:
- a. Classifying the project as Direct, Financial Intermediary or AS;
 - b. Determining the requirement for further review, and its scope, in accordance with this procedure; and
 - c. Obtaining clearance from the Team Leader for projects where no further review is required (Category C).

- 1.3.3 The ACS is responsible for:
- a. Opening an ESRD template for each project.

- 1.3.4 The Team Leader is responsible for:
 - a. Either attending or assigning staff to participate in early concept review meeting;
 - b. Assigning S&E project team; and
 - c. Clearing in the ESRD projects where no further review is required (Category C).

- 1.3.5 The Manager CESIG is responsible for:
 - a. N/A.

- 1.3.6 The AS officer is responsible for:
 - a. N/A.

- 1.3.7 The Manager of AS is responsible for:
 - a. N/A.

- 1.3.8 All AS DFOs and Departments are responsible for:
 - a. N/A.

- 1.3.9 The Portfolio Officer is responsible:
 - a. N/A.

- 1.3.10 The Portfolio Manager is responsible for:
 - a. N/A.

- 1.3.11 The Director CES is responsible for:
 - a. N/A.

- 1.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
 - a. N/A.

- 1.3.13 The VP Industry is responsible for:
 - a. N/A.

1.4 Records and Documentation

- 1.4.1 ESRD document. Project classification, categorization and rationale and social and environmental review applicability statement recorded in the ESRD.

- 1.4.2 Documents provided by client to be filed in iDocs.

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

1.5 Annexes

1.5.1 Asia Pilot Authority Matrix

This matrix outlines the delegation of authority extended by the Director CES under the *Asia Pilot for IFC 2010* in response to the Asia Delegated Authority Procedures (draft 5/June 15, 2007). In addition to the core objective of responding to the proposed changes in operational procedures under the Asia Pilot, the matrix of delegated authority for CES has been prepared in consideration of the following principles:

- The proposed delegation of authority will be guided first and foremost by the principles of responsible and pro-active social and environment risk management;
- CES will endeavor to optimize its human resource allocation to investment support activities between regions and HQ in a way that results in the best possible deployment of CES resources and expertise i.e. CES technical and operational support to the Investment Departments must continue to be of the highest quality level – to have the right team on the right deal
- Technical expertise and operational policy interpretation assistance will continue to be sought from recognized CES industry/sector/policy specialists and CES managers i.e. CES’s technical and policy expertise must continue to be deployed to their full extent for the benefit of IFC clients through the Asia Pilot.
- The role of the Team Leader (Industry Departments) remains a core organizing principle.
- Maintenance of arms-length relationships for the purpose ESRP clearance/sign-off requirements remains a core operating principle;
- This authority matrix will be revised as needed in response to implementation experience/performance and possible changes to Asia Pilot operational framework.

	Washington	Hong Kong/New Delhi
Delegation of authority is based on risk criteria.	<ul style="list-style-type: none"> • Maintains authority in accordance with ESRP 	<p>Authority <u>is not</u> extended under the following conditions and/or circumstances:</p> <ul style="list-style-type: none"> • Any project that is high risk (i.e. triggers a significant/exceptional Performance Standard issue, requires a labor audit, or has a PS issue that either cannot be mitigated or will not be mitigated for a significant amount of time). This includes category B projects which meet the high risk definition and all projects with potentially significant impacts (Category A). • Any project that requires Broad Community Support • Financial Intermediary (CGF) or Funds (CFN) projects (Section 7, 8, 9 and 10 of the ESRP) • While authority is not extended in these circumstances, Manager CES (HK) and Team Leader (New Delhi) must be informed of project status through pipeline management reports and

		engaged as appropriate to ensure client relationship objectives under Asia Pilot.
Triage, Project Screening and Staff Deployment	<ul style="list-style-type: none"> Will continue in accordance with established procedures with Team Leaders (Industry Departments) 	<ul style="list-style-type: none"> Projects originating and processed under Asia Pilot (i.e. which meet criteria for delegation) will be screened by the Manager CES (HK) and Team Leader (New Delhi) in accordance with risk criteria agreed to by Director CES. Manager CES (HK) and Team Leader (New Delhi) may consult with Managers CESIG (HQ) and with Team Leaders in HQ on a case by case basis. Decisions to be conveyed on a regular basis through pipeline management reports. Projects which are retained for processing under Asia Pilot will be allocated by Manager CES (HK) and Team Leader (New Delhi) to CES staff and consultants in HK or New Delhi. Projects which are forwarded to Washington will be allocated to staff in accordance with established procedures by the Team Leaders, in consultation with Managers CESIG (HQ) where necessary. Projects may also be forwarded to Washington for further processing in instances where there is insufficient on-the-ground capacity in HK/New Delhi. Such projects would nonetheless be maintained and managed through Asia Pilot Pipeline.
ESRP Implementation - Asia Pilot will implement the current version of the ESRP with the following changes:	<ul style="list-style-type: none"> HQ staff will operate in accordance with ESRP 	<ul style="list-style-type: none"> Manager CES (HK) will also fulfill the role of Team Leader under ESRP (clear Category C projects and Category B ESRS and ESCMs) for Asia Pilot projects when not in the role of Lead Specialist. When Manager CES (HK) is the Lead Specialist on a project, the Team Leader (New Delhi) will fulfill the function of Team Leader under ESRP (clear Category C projects and Category B ESRS and ESCMs) and the CESIG Manager (HQ) for that industry department will fulfill the function of Manager CESIG. Team Leader (New Delhi) will fulfill the role of Team Leader (clear Category C projects and Category B ESRS and ESCMs) when not in the role of Lead Specialist. When Team Leader (New Delhi) is the Lead Specialist on a project, the Manager CES (HK) will fulfill the function of Team Leader under ESRP (clear Category C projects and Category B ESRS and ESCMs) and the Manager CESIG for that industry department will fulfill the function of Manager CESIG.
Supervision	<ul style="list-style-type: none"> HQ will perform portfolio management function and supervision planning/coordination in accordance with current practice Staff in Hong Kong and New Delhi will be responsible for a supervision work program 	
Other	<ul style="list-style-type: none"> The role of the Director CES in the ESRP will not be delegated The Manager CESIG responsible for the industry sector in which a civil society complaint is made will be informed and kept informed through established procedures. The Manager CESIG responsible for the industry sector in which a CAO and/or IEG actions/interventions in the region will be informed and will participate in management of and responses to the CAO/IEG. Peer Review Meetings will be chaired by a CESIG Manager in HQ. 	

1.5.2 Exclusion List

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

IFC does not finance the following projects:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions¹.
- Production or trade in alcoholic beverages (excluding beer and wine)¹
- Production or trade in tobacco¹.
- Gambling, casinos and equivalent enterprises¹.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

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

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

- Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor³.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

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

- Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor³.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.

¹ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

² Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

³ Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- * **Trade finance projects**, given the nature of the transactions, FIs will apply the following items in addition to the IFC Exclusion List:
 - Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor³.

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

[Link provided for staff]

1.5.4 MOR, PDS-IR, and SPI wording for Category C projects.

[Link provided for staff]

2 DIRECT INVESTMENTS: EARLY REVIEW AND PROJECT SCREENING

2.1 Purpose and Applicability

2.1.1 This procedure describes the S&E Review process during the PDS-ER stage of the IFC project cycle for Direct Investment projects through approval of the PDS-ER (by management or at CIC), and covers the following steps:

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

2.2 Procedure

2.2.1 Depending on the information available, other specialists may be needed to meet IFC's review requirements. Where possible at this stage, identify other potential support team members (for example, staff from regional offices, the SME Department, PEPs, and or PDFs) in coordination with the Team Leader. Where there are multiple support team members, develop, in coordination with the Transaction Leader, a phased timetable for interaction between the client and the various support team members to meet the client's needs.

2.2.2 Follow the appropriate steps as outlined below:

- a. For projects in which IFC has an existing investment, and all the following conditions are met, no further review is required:
 - a.1 IFC has previously conducted an S&E review that is consistent with the IFC PS;
 - a.2 The existing investment has been supervised within the previous 12 months and its performance has been determined to be in compliance with the IFC PS;
 - a.3 The new investment will not result in any material change in the S&E impacts associated with the project. However, the covenants and reporting requirements will be extended to cover the proposed investment; and
 - a.4 Provide wording for MOR including the ESRR score of the existing investment and PDS-IR, inform the Team Leader and the Manager CESIG of the determination, and go to Procedure No. 3.2.20.
- b. For projects where IFC's proposed financing is aimed only at improving the efficiency of capital (e.g. financial restructuring) and will not be used for new or existing physical facilities or assets, or IFC will not be able to exercise direct influence on the operations of a project such as:
 - b.1 IFC investment in a market instrument issued by the project; or

b.2 Where the IFC investment proceeds will support a minority and non-controlling ownership stake in a company, review available information to determine whether the underlying asset to be financed is expected to be implemented and operated in a manner that will meet the requirements of IFC PS:

- i) If the project is expected to meet IFC PS, record the decisions and supporting analysis in the ESRD, provide wording for MOR and PDS-IR as per Annex 2.5.1 and 2.5.2 respectively; inform the Team Leader and the Manager CESIG of the determination; and go to Procedure 3.2.20.
 - ii) If the information provided is inadequate, advise the Transaction Leader and request additional information or a field visit to determine the project's ability to comply with the IFC PS; then repeat this procedure until adequate information is available.
 - iii) If the project is not expected to meet the IFC PS, inform the Transaction Leader, Team Leader, and the Manager CESIG.
- c. For projects where IFC will potentially be able to exercise direct influence on a project's operations, and the project will have minimal adverse impacts and therefore, limited elements of PS1 and/or PS2 may be applicable, follow only:
- c.1 In Procedure 2.2, Procedure 2.2.8 through 2.2.14;
 - c.2 In Procedure 3.2, Procedure 3.2.8, and 3.2.21; and
 - c.3 In Procedure 4.2, Procedure 4.2.1, 4.2.9 through 4.2.12, 4.2.17, and 4.2.19.
- d. For projects where IFC's proposed financing is for Rights Issues where the subscription price for additional shares in each transaction exceeds ten million dollars (\$10,000,000), no review or public disclosure documents (SPI, ESRS) are necessary per IFC's Operational Procedures XI.2. This should be recorded in the ESRD. The project categorization should be the same as the original investment categorization and should be entered in iDesk.
- e. For all other projects go to Procedure 2.2.3.

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

- a. The potential social and environmental issues of concern;
- b. A preliminary indication of the client's S&E management capacity;
- c. Whether the nature and magnitude of the potential impacts are considered to be significant and adverse, site-specific and limited, or minimal; and
- d. The specific IFC Performance Standards, if any, that would likely apply to the investment, based upon currently available information.

2.2.4 In coordination with the Transaction Leader, conduct a pre-appraisal site visit in cases where:

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

2.2.5 Record the key decisions and supporting analysis in the ESRD referencing the pre-appraisal BTO for the site visit and as provided in Annex 2.5.4.

2.2.6 Where possible prior to appraisal, determine whether IFC will want to retain an External Expert to support IFC's S&E review or whether IFC will expect the client may be required to engage one or more External Expert(s) for the clients assessment work, and notify the client accordingly.

2.2.7 Advise the Transaction Leader on key anticipated development impact of the project from S&E standpoint.

2.2.8 Provisionally classify the project as Category A, B, or C and provide the wording for the MOR as per Annex 2.5.1.

2.2.9 Enter the provisional Category in iDesk, and confirm or correct CESIG project team members in consultation with the Team Leader.

2.2.10 If a CIC meeting is called, brief the Manager CESIG and the Director CES prior to the meeting on issues that present significant social and/or environmental concern, including reputational risk, projects that are likely to require a major commitment of CES resources or projects that are likely to establish precedent in CES practice.

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

2.2.12 Provide S&E wording to the Transaction Leader for inclusion in the Mandate Letter as per Annex 2.5.3, when deemed necessary, that lists the indicative conditions of IFC participation. Where possible, this should include:

- a. The applicable performance requirements including the specific provisions of the IFC PS that would apply; and
- b. Where determined as per paragraph 2.2.6, the need for one or more External Expert(s) to support IFC's review or the client's assessment process.

2.2.13 Confirm that the Transaction Leader has provided the IFC PS to the client.

2.2.14 For the steps conducted in this procedure, record findings in the ESRD and request ACS staff to list documents reviewed in ESRD and upload them in iDocs.

2.3 Responsibilities

2.3.1 The Transaction Leader is responsible for:

- a. Providing the Lead Specialist with information to determine the applicability of social and environmental review for the project in accordance with this procedure;
- b. Providing IFC's indicative requirements to the client;
- c. Determining, in conjunction with the Lead Specialist, the need for a pre-appraisal trip; and
- d. Entering key and anticipated development impacts into DOTS' "Expected Development Impact" section.

2.3.2 The Lead Specialist is responsible for:

- a. Determining the applicable performance requirements;
- b. Determining, in conjunction with the Transaction Leader, the need for a pre-appraisal trip and conducting it if required;
- c. Advising the Transaction Leader on key anticipated development impact(s) of the project from an S&E standpoint;
- d. Providing S&E wording for the MOR ensuring that the S&E risks are adequately addressed in the PDS-ER, and the client Mandate Letter;
- e. Obtaining clearance in ESRD for Category C projects from the Team Leader;
- f. Informing the Team Leader and the Manager CESIG of projects that are not expected to meet the PS; and
- g. Informing ACS staff of documents to be uploaded in iDocs.

2.3.3 ACS staff is responsible for:

- a. Listing documents reviewed by project team in ESRD and uploading the same into iDocs.

2.3.4 The Team Leader is responsible for:

- a. Clearing Category C projects in ESRD.

2.3.5 The Manager CESIG is responsible for:

- a. N/A.

2.3.6 The AS officer is responsible for:

- a. N/A.

2.3.7 The Manager of AS is responsible for:

- a. N/A.

2.3.8 All AS DFOs and Departments are responsible for:

- a. N/A.

2.3.9 The Portfolio Officer is responsible:

- a. N/A.

- 2.3.10 The Portfolio Manager is responsible for:
 - a. N/A.
- 2.3.11 The Director CES is responsible for:
 - a. N/A.
- 2.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
 - a. N/A.
- 2.3.13 The VP Industry is responsible for:
 - a. N/A.

2.4 Records and Documentation

- 2.4.1 MOR's S&E wording recorded in the ESRD.
- 2.4.2 ESRD containing
 - a. Pre-appraisal findings; and
 - b. References to the pre-appraisal BTO and other documents reviewed.
- 2.4.3 Client mandate S&E notification wording recorded in and recorded in the ESRD.
- 2.4.4 BTO (where a pre-appraisal site visit has been conducted) referenced in ESRD and filed in iDocs).

2.5 Annexes

- 2.5.1 MOR wording.
[Link provided for staff]
- 2.5.2 PDS-IR wording.
[Link provided for staff]
- 2.5.3 Outline for S&E inputs for client mandate letter.
[Link provided for staff]
- 2.5.4 BTO template.
[Link provided for staff]

3 DIRECT INVESTMENTS: APPRAISAL

3.1 Purpose and Applicability

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

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

3.2 Procedure

3.2.1 Request and obtain Project Assessment Information. Review the quality and adequacy of the client's Project Assessment in relation to the proposed project, including activities underway or completed prior to IFC's involvement. Review who conducted the assessments and the appropriateness of the timetable for implementation of the Action Plan. In the case of assessments already completed, evaluate whether the information represents current conditions. Ensure that the scope of the environmental assessment is consistent with the area of influence of the project, as described in PS1 including the identification of any associated facilities.

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

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

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

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

3.2.5 If required, conduct an appraisal mission. This may include a visit to the client's headquarters, to one or more operating facilities, to associated facilities, and/or supply-chain operations. In certain situations, multiple appraisal missions may be required. Record findings in the BTO section of the ESRD and distribute to Team Leader, Transaction Leader, the Manager CESIG and ACS staff. The ACS staff updates the appraisal mission date field in iDesk.

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

3.2.7 Determine whether the client will need to engage an External Expert to support its S&E assessment in projects with: potentially significant impacts (PS1), certain structural element (PS4), critical habitat or legally protected areas (PS6), Indigenous Peoples Special Requirements (PS7), or cultural heritage issues listed in PS8. If so, notify the Team Leader and Transaction Leader of this determination, copying project file in iDocs.

3.2.8 For projects with no to minimal adverse impacts as described in Procedure 2.2.c) ask the Transaction Leader to obtain during appraisal any information needed to confirm the Category C and applicable IFC PS. Consider potential opportunities to help the client enhance S&E outcomes, including access to various IFC-sponsored technical and financial assistance funds or programs. To process such opportunities for IFC value additions, initiate the steps in Procedure No. 5.

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

- a. For all corporate investments, IFC's review should identify all areas of business activity undertaken by the entity in which IFC plans to invest. IFC's review should be extended to any activity by that entity that could reasonably

be expected to present a risk to IFC's reputation by association with that activity, even if IFC is not financing it directly. Where IFC is providing loans or other financing to a company operating in a range of business sectors, but IFC's support is directed to a particular business sector or sectors, unrelated business sectors will normally not be subject to review;

- b. In the case of a regionally based company operating in several countries, if an IFC loan or other financing is directed to operations in a particular country or countries, then the review will normally be limited to the activities within that particular country or countries and to facilities that are connected or associated with these activities;
- c. In the case of corporate transactions that are more general in nature, such as provision of working capital, equity or an investment in holding companies, IFC's review will take into account the full range of operations undertaken by the legal entity in which IFC plans to invest, including any significant operations undertaken by its subsidiaries and companies for which it has management control; and
- d. For Corporate Investments, review the adequacy of the client's SEMS to enable future projects compliance with the IFC PS. To make this determination, review the client's SEMS or existing elements/practices of an SEMS and then review the social and environmental performance of a representative set of past projects and assess how they have been handled by the client's SEMS. An appraisal mission may be required for this.

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

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

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

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

- a. Determine the applicable performance requirements;

- b. Using the World Bank Group (WBG) Environmental, Health and Safety (EHS) Guidelines as a reference source, determine how the client (or third party, as applicable) is performing against the requirements of PS3, including relevant performance criteria related to resource conservation, waste minimization, energy efficiency, hazardous materials use and management, and effluents / emissions controls;
- c. While CESIG will review security forces and labor issues, the Transaction Leader will assist by providing information for the review;
- d. Determine how the client will monitor performance on a continuing basis;
- e. Determine how the client has met or will meet its disclosure and consultation obligations, as outlined in the IFC PS (including a non-technical summary, in English);
- f. Where the client is required to conduct Free Prior Informed Consultation (FPIC), support the Transaction Leader in determining whether the project has Broad Community Support (BCS). The Manager CESIG should be consulted on and the Director CES should clear the outcome of the BCS review (guidance on how to determine BCS is outlined in Annex 3.5.1);
- g. Identify any gaps between the requirements and the client's Action Plan;
- h. Specify the Supplemental Actions, for any identified gaps that have been agreed with the client, as a condition of IFC's investment, to be incorporated into the client's Action Plan. Supplemental actions related to environmental, health and safety issues (for example, resource conservation, waste minimization, energy efficiency, hazardous materials use and management, and effluents / emissions controls) should use the relevant World Bank Group EHS Guideline(s) as a reference source as necessary with regard to the requirements of PS3, and be incorporated into the client's Action Plan. In addition, if there is an affected community, the client will disclose the Action Plan and will disclose any material changes to the plan. Progress against the Action Plan will be disclosed at least annually;
- i. If there are any other Multilateral Investors, including IBRD and MIGA, coordinate the S&E Review with the other investors to determine opportunities to share information and avoid duplication or inconsistency; and
- j. Determine whether there are any transboundary S&E issues, considering:
 - i.1 Whether the project entails activities that may cause adverse effects through air pollution or abstraction of water from or pollution of international waterways;
 - i.2 Whether the affected countries and the host country have entered into any agreements or arrangements or have established any institutional framework regarding the potentially affected airshed, waterway, subsurface water, or other resources; and
 - i.3 Whether there are any unresolved differences between the affected and host countries regarding the potentially affected resource, and the likelihood of a resolution.

3.2.13 Where conditions described in i.1, i.2, or i.3 above are present or anticipated then notification is required using the steps below:

- a. Record this in the ESRD and inform the Manager CESIG;
- b. Provide technical documentation to the Transaction Leader for further communication to the members of IFC's Board of Directors representing countries that are likely to be impacted by the potential transboundary S&E issue. Provide the Transaction Leader with technical documentation including:
 - b.1 Copies or summaries of any existing agreements, arrangements, or institutional frameworks;
 - b.2 A map of the transboundary region prepared and cleared by the client;
 - b.3 A copy of the IFC-prepared Environmental and Social Review Summary (ESRS);
 - b.4 Support the Transaction Leader in requesting any coordination with the World Bank, and ensure that the matter forms part of the IFC's disclosure of the project; and
 - b.5 Identify if IFC may require one or more External Expert to review and/or analyze transboundary impacts; the Lead Specialist should make a determination on the need for such expertise and report to the Manager CESIG.

3.2.14 If the client proposes alternative performance measures to the WBG Environmental, Health, and Safety Guidelines, review the justification for this and determine adequacy. The use of the alternative criteria less stringent than the relevant guideline must be cleared by the Manager CESIG, and any decision and supporting analysis must be recorded in the ESRD.

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

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

3.2.16 Detailed technical reviews are encouraged for any projects where the project team can benefit from additional expertise.

3.2.17 The Lead Specialist should determine the appropriate type of peer review required.

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

3.2.19 For projects with significant adverse impacts or where technically complex issues are involved, an experienced External Expert may be required to assist the CESIG Team in the appraisal.

3.2.20 Assign in iDesk an S&E Category to the investment, based on the review conducted so far, that reflects the magnitude of the potential impacts posed by the investment.

3.2.21 Record the S&E Category and rationale for categorization in the ESRD and provide requisite wording for the IRM as outlined in Annex 3.5.3.

3.2.22 Present and discuss issues risks, and impacts along with their mitigation measures at the IRM, as required. Specifically include in the IRM book when applicable and available the draft ESRS as per Annex 3.5.4 when ready, and the following documents:

- a. The Action Plan;
- b. The Supplemental Actions that have been mutually agreed with the client;
- c. The Peer Review recommendations and action taken; and
- d. BCS information.

3.2.23 At the IRM, the Director Industry Department (and where applicable Regional Director) reviews the recommendation on whether BCS is verified. The Lead Specialist will ensure that the outcome of consultations with the Director CES (in accordance with 3.2.12f) is communicated at the IRM.

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

3.3 Responsibilities

3.3.1 The Transaction Leader is responsible for:

- a. Providing assistance to CESIG in appraising security forces and labor issues;
- b. Communicating technical documentation to the members of IFC's Board of Directors representing countries that are likely to be impacted by potential S&E transboundary issues; and
- c. Including the S&E wording in the Decision Book and the Term Sheet.

3.3.2 The Lead Specialist is responsible for:

- a. Identifying and confirming additional support required in project team;

- b. Ensuring that the S&E appraisal is conducted in accordance with this procedure;
 - c. Identifying potential opportunities to help the client enhance S&E outcomes;
 - d. Requesting a Peer Review Meeting;
 - e. Providing the findings of the review to the Transaction Leader for inclusion in the Decision Meeting documents;
 - f. Assigning an S&E category to the project;
 - g. Providing to the Transaction Leader technical documentation regarding S&E transboundary issues;
 - h. Drafting the wording for the Term Sheet;
 - i. Drafting the ESRS where applicable;
 - j. Supporting the determination of BCS; and
 - k. Providing written outcome of the BCS to the Manager CESIG and obtaining clearance from the CES Director.
- 3.3.3 ACS staff is responsible for:
- a. Listing documents reviewed by project team in ESRD and uploading the same into iDocs.
 - b. Coordinating Peer Review Meeting logistics as per Annex 3.5.2.
- 3.3.4 The Team Leader is responsible for:
- a. Identifying in conjunction with the Lead Specialist, the other support team members including External Experts, industry department specialists, or staff from IFC's regional offices, SME Department, PEPs, and PDFs needed for the project.
- 3.3.5 The Manager CESIG is responsible for approving:
- a. Deviations that are less stringent than the IFC Environmental Health and Safety Guidelines;
 - b. The need for the Peer Review Meeting as requested by the Lead Specialist and ensuring that it is conducted according to provisions of this procedure; and
 - c. The appointment and Terms of Reference of External Experts to be used by IFC.
- 3.3.6 The AS officer is responsible for:
- a. N/A.
- 3.3.7 The Manager of AS is responsible for:
- a. N/A.
- 3.3.8 All AS DFOs and Departments are responsible for:
- a. N/A.
- 3.3.9 The Portfolio Officer is responsible:

- a. N/A.
- 3.3.10 The Portfolio Manager is responsible for:
 - a. N/A.
- 3.3.11 The Director CES is responsible for:
 - a. Providing clearance to confirm that BCS has been achieved.
- 3.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
 - a. Approving, along with the Director CES, that BCS has been achieved.
- 3.3.13 The VP Industry is responsible for:
 - a. N/A.

3.4 Records and Documentation

- 3.4.1 Request ACS staff to list in ESRD and file in iDocs the following documents, where present, in support of the analysis provided:
 - a. List of additional assessment activities that the client needs to conduct, where required, including the scope of any additional activities to be filed in iDocs and referenced in ESRD;
 - b. Client information provided in response to a questionnaire, such as the AIS, and list of information needs;
 - c. Minutes of the Peer Review meeting, including actions taken to address recommendations;
 - d. Material Project Assessment Information and Action Plan, including any Supplemental Actions agreed with the client, to ensure that the assessment documents are complete;
 - e. Client justification for alternatives to guidelines, where required, and approval by CESIG Manager;
 - f. Approval of the terms of reference used for any External Expert; and
 - g. BTO.
- 3.4.2 The following information needs to be recorded in ESRD:
 - a. Record of the appraisal covering each Performance Standard, including;
 - b. How the client will be meeting the requirements;
 - c. The Supplemental Actions the client is required to take to address any gaps;
 - d. The descriptive project attributes that are standard in the ESRD;
 - e. Project Performance indicators for supervision;
 - f. Record of any alternative emission levels or standards that have been accepted; and
 - g. PDS-IR wording and Draft Term Sheet input, and the list of Supplemental Actions (or a reference to the same).

3.5 Annex

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

Sustainability Policy

Paragraph 20 includes the statement that “...when clients are required to engage in a process of free, prior, and informed consultation, IFC reviews the client’s documentation of the engagement process. In addition, through its own investigation, IFC assures itself that the client’s community engagement is one that involves free, prior, and informed consultation and enables the informed participation of the affected communities, leading to broad community support for the project within the affected communities, before presenting the project for approval by IFC’s Board of Directors. Broad community support is a collection of expressions by the affected communities, through individuals or their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project. After the Board approval of the project, IFC continues to monitor the client’s community engagement process as part of its portfolio supervision.”

Performance Standard 1

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

Performance Standards 7 and 8

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

Two Review Streams

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

- ➔ **Stream 1** – Has the client conducted free, prior and informed consultation, and enabled the informed participation of affected communities?

➔ **Stream 2** – What is the level of support and dissent related to the project among the affected communities for the project?

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

A Focus on ‘Affected Communities’

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

Gauging Support for the Project

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

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

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

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

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

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

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

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

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

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

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

Material Consideration	Method of Validation
	Heads of Agreement, Letters of Intent, Joint Statement of Principles, Community Development Plan / Indigenous Peoples Development Plan, Benefits Sharing Agreement, or other documents that capture the outcome of the good faith negotiations.

Analysis of Contexts

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

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

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

3.5.2 Procedural Guidance on requesting Peer Review Meetings.

Timing

A PRM should be held at an early stage in the appraisal process, either before or shortly after a mission. Timing should be carefully selected to achieve optimum benefit from the PRM. The Lead Specialist should ensure that sufficient information is available to present the project concept to attendees.

Attendance

Project team (including Investment Officer (s) and Industry Engineer), CES specialists, others as needed to support the review. CES specialists should attend all PRMs as part of their professional obligation unless unable to do so due to prior commitments. The Director CES should be notified of all PRM.

Format for requesting a PRM

The Lead Specialist should send a request for a PRM to the Manager CESIG and copy Quality Assurance (QA), as well as the unit ACS with a minimum of 3 business days notice stipulating the following:

1. Objective of the peer review (state issue(s) for consideration)
2. Project Description from the PDS-ER or if not available a short project description and a short description of the issue(s)

Notification

The Manager CESIG will call for the PRM upon review of request provided by Lead Specialist and will notify the Lead Specialist if a PRM is warranted or not.

Confidential Projects

PRM for projects with security classification higher than “official use only” will require protection to ensure control of confidential information. As such the email notification should state that project is strictly confidential and should not include any attachments. Furthermore, all handouts will be collected at the conclusion of the meeting.

Conducting and Recording the PRM Responsibilities

- a. The Manager CESIG, or designee: Chair the meeting
- b. The Lead Specialist: provide briefing notes prior to PRM that will at a minimum stipulate:
 1. A summary of the proposed transaction including details of the location, client and type of transaction;
 2. Context of the project;
 3. Identify any issues of concern;
 4. Describe areas where guidance is sought (where possible suggest solution to problems identified); and
 5. Provide a location map.
- c. The QA team:
 1. Take PRM notes;
 2. Circulate PRM notes to Lead Specialist;
 3. Obtain clearance of PRM notes from the Chair;
 4. Post PRM notes on CESIG workspace and send a notification to all specialists; and
 5. Follow up on status of action items until issues are closed.
- d. The ACS:
 1. Send PRM invitation including the briefing notes and presentation, room location and dial in number;
 2. Book an adequate conference room (check if video conference will be required); and
 3. Organize required equipment (laptop, extra extension).

Time Management

1. Maximum 1.5 hours per project
2. The Lead Specialist and /or any other specialist assigned to the project will be expected to make a brief (15-20 minute) presentation of the key issues in the project and their proposal for addressing them.
3. Last 10 minutes of the PRM should be allocated for summary of meeting and stipulation of key decisions as well as actions to be undertaken.

Recommendations Resulting from PRM

1. The Lead Specialist will ensure that each of the Key Issues have been resolved and will update the PRM notes to reflect the status of each action prior to submitting the ESCM for approval.

3.5.3 Draft PDS-IR wording.
[Link provided for staff]

3.5.4 ESRS template.
[Link provided for staff]

4 DIRECT INVESTMENTS: DISCLOSURE AND COMMITMENT

4.1 Purpose and Applicability

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

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

4.2 Procedure

4.2.1 For Category C projects and Rights Issues, there is no ESRS or ESCM. Provide to the Transaction Leader the rationale for the categorization to be included in the SPI.

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

4.2.3 For Category A and B investments submit the draft ESRS for review by the Team Leader and the Transaction Leader before it is submitted to the client for review and approval to release. If the Team Leader is also the Lead Specialist for the project, a specialist not involved with the project will be nominated to review and approve the ESRS for Category B projects. For Category A projects, submit the draft ESRS to the Manager CESIG for review prior to submitting it to the client for review.

4.2.4 The Lead Specialist or the Transaction Leader should submit the ESRS to the client for review (the Transaction Leader will handle the SPI clearance) and obtain the client's written approval to release the ESRS to IFC's Web site and the InfoShop as per Annex 4.5.3.

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

4.2.6 Submit the client-approved Category A and B ESRS for approval to the Team Leader before it is submitted for disclosure. The Manager CESIG must clear the ESRS for Category A projects.

4.2.7 Disclose the ESRS at the InfoShop by releasing the ESRS electronically to IFC's Web site, including links and attachments to relevant client Project Assessment Information that is referenced in the ESRS. The client's Project Assessment documentation and Action Plan should be attached to the ESRS, with links to the client's Web site provided, where available. For category A projects request ACS staff to produce two CDs of SEIA for submission to Corporate Relations.

4.2.8 Verify that the client has disclosed material locally in an appropriate manner. Where there are no significant adverse impacts to local communities, and if the project has not previously disclosed information and if the client does not have an adequate summary of S&E information in a form suitable for disclosure prepared, the client may elect to translate the ESRS into the local language(s) removing references to IFC and disclose it locally along with any other materially relevant information.

4.2.9 Disclosure of the SPI and the ESRS and any supporting documents must occur for no less than the time shown below prior to consideration of the investment by IFC's Board of Directors/Management:

- a. Sixty (60) days for Category A projects; and
- b. Thirty (30) days for Category B and C projects.

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

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

4.2.11 Additional material may be added to the public release for a project at any time during the life of IFC's investment. In cases where this is done after the ESRS or SPI has been released and before Board approval, and that involve new or relevant information in regard to a Performance Standard that would change the adverse risks or impacts described in the ESRS, or the anticipated development impacts of the investment,

then the disclosure time (30 or 60 days) will be restarted in accordance with the Disclosure Policy to achieve a complete disclosure for the required time periods.

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

4.2.13 Customize for the client a draft template for the S&E Annual Monitoring Report (AMR) as per Annex 4.5.4 that will be reviewed and agreed with the client. Tailor the format to address the applicable performance requirements as identified in Procedure No.3 (Direct Investments: Appraisal). It should also include reporting on the status of the Action Plan, including any Supplemental Actions, if applicable and DOTS Monitorable Impacts (see Annex 4.5.5 for guidance). In the event that reporting is required more frequently than once a year, this should also be agreed with the client. Where possible IFC's reporting requirements should take advantage of any other reporting by the client:

- a. Discuss with the client opportunities for publicly available non-financial reporting and document in the ESRD.

4.2.14 The Transaction Leader should ensure that the AMR is included in the legal agreements.

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

4.2.16 Prepare the ESCM:

- a. For Category B projects as per Annex 4.5.6 and obtain clearance in iDesk from the Team Leader and copy the Manager CESIG;
- b. For Category A projects as per Annex 4.5.6. in coordination with the Team Leader, and submit to the Manager CESIG for approval before the project is submitted for Board/Management consideration;
- c. In cases where BCS is required, include in the ESCM the recommendations on the status of BCS and the decision that has been taken; and
- d. For projects that have been subject to Peer Review, ensure that the recommendations contained in the Peer Review Minutes have been taken into account in the ESCM where relevant.

4.2.17 Prepare S&E wording for the Board Paper:

- a. The E&S section of the Board Paper should describe the significant impacts and mitigations. Provide support, as necessary, to the project team for project presentations and briefings to the Board;
- b. In cases where BCS is required, the Board Paper should include the recommendations on the status of BCS and the decision that has been taken; and
- c. Include E&S additionality language where warranted. See annex 4.5.7 for guidance.

4.2.18 Enter Development Impact indicators in DOTS under Monitorable Impact Section.

4.2.19 Provide input to the drafting of legal agreements. In addition to a general covenant requiring client compliance with the IFC PS, provide specific references to the client's Action Plan, including any references to specific performance criteria from IFC. Take note of the following:

- a. The client shall not amend the Action Plan in any material respect without the prior written consent of IFC;
- b. The client will be required to provide AMRs, and notify IFC of any serious incidents or fatalities related to the project;
- c. Actions that IFC may support to improve the client's performance beyond compliance with the IFC PS are not normally covenanted unless they are considered to be conditions of IFC's support; and
- d. For investments in market instruments and equity investments, where limited IFC influence exists, IFC's participation should be based on alternative means of ensuring PS compliance (such as side letter agreements) which can provide an assurance from the Company that for as long as IFC retains any shareholding, operations will be carried out in accordance with for example, the Company's EHS and Community Development Policy and with the IFC PS and EHS Guidelines. IFC may examine opportunities for exit from the investment in the event that the project is found to be in non-compliance with the IFC PS.

4.2.20 Environmental and Social Risk Ratings should not be provided until the first AMR is provided or the first supervision visit undertaken.

4.3 Responsibilities

- 4.3.1 The Transaction Leader is responsible for:
- a. Ensuring that the team lawyer incorporates the inputs from the Lead Specialist into the legal agreements;
 - b. Incorporating the S&E inputs provided by the Lead Specialist into the SPI;
 - c. Communicating with the client and obtaining the client's permission to release the ESRS/SPI publicly;

- d. Disclosing the SPI in accordance with IFC's Disclosure Policy;
- e. Seeking, where required, a waiver of the disclosure requirements, from VP Industry; and
- f. Responding to external inquiries.

4.3.2 The Lead Specialist is responsible for:

- a. Providing the Transaction Leader with the S&E wording for the SPI;
- b. Determining the suitability of social and environmental assessment documentation for posting on the IFC Web site;
- c. Determining whether the client has met the disclosure requirements as per the IFC PS;
- d. Preparing and obtaining clearance from Team Leader for the ESRS for Category B or from the Manager CESIG for the ESRS for Category A projects and disclosing it in accordance with IFC's Disclosure Policy;
- e. Obtaining clearance from the Team Leader for the ESCM for Category B projects or from the Manager CESIG for the ESCM for Category A projects;
- f. Supporting the Transaction Leader in responding to external inquiries from NGOs and other affected stakeholders concerning IFC's S&E Review;
- g. Providing inputs to the Board Paper and legal agreements;
- h. Customizing the AMR template based on project impacts including DOTS Monitorable Impacts and other indicators;
- i. Request alternative approach to supervision for investments in market instruments and equity investments where the transaction structure precludes IFC from obtaining any special reports; and
- j. Entering Development Impact indicators in DOTS under Monitorable Impact Section.

4.3.3 ACS staff is responsible for:

- a. Listing documents reviewed by project team in ESRD and uploading the same into iDocs; and
- b. Producing 2 CDs of the SEIA (for Category A projects) for Corporate Relations.

4.3.4 The Team Leader is responsible for:

- a. Clearing the Category the ESRS and ESCM for Category B projects; and
- b. Reviewing Category the ESRS and ESCM for Category A projects.

4.3.5 The Manager CESIG is responsible for approving:

- a. The ESRS and ESCM for Category A projects; and
- b. Alternative supervision requirements.

4.3.6 The AS officer is responsible for:

- a. N/A.

- 4.3.7 The Manager of AS is responsible for:
- a. N/A.
- 4.3.8 All AS DFOs and Departments are responsible for:
- a. N/A.
- 4.3.9 The Portfolio Officer is responsible:
- a. N/A.
- 4.3.10 The Portfolio Manager is responsible for:
- a. N/A.
- 4.3.11 The Director CES is responsible for:
- a. N/A.
- 4.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
- a. N/A.
- 4.3.13 The VP Industry is responsible for:
- a. Waiving disclosure requirements; and
 - b. Informing the Board of Directors on any waiver of disclosure requirements.

4.4 Records and Documentation

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

4.5 Annexes

4.5.1 ESRS template.
[Link provided for staff]

4.5.2 SPI S&E wording for Category A and B projects.
[Link provided for staff]

4.5.3 Client ESRS release letter template.
[Link provided for staff]

4.5.4 AMR template.
[Link provided for staff]

4.5.5 DOTS Monitorable Impacts.
[Link provided for staff]

4.5.6 ESCM template Category A and B.
[Link provided for staff]

4.5.7 Guidance on ESHS Additionality.

The Board has requested that IFC improve the presentation of additionality and development impact in Board documents. The section on additionality should include environmental and social (E&S) information, where present.

The difference between additionality and role can be thought of as role being what we are going to be doing while additionality describes what benefits or value added we bring that an alternative funding source would not bring.

We need to think about E&S additionality in terms of:

- What is the E&S baseline of the client before the IFC intervention and then because of IFC actions, what is the major expected impact(s) on the E&S performance?
- "What is IFC bringing to the deal that another bank would not be bringing?"

The following guidance is provided to help CESIG specialist determine what aspects of a project could be considered as "additionality" and which should not be used to support an additionality case. Not every project will contain E&S additionality. Examples provided below are not exhaustive but are illustrative.

I. The type of additionality will vary from project to project but could include:

- projects demonstrating a new practice or set of practices that can be applied across a sector in a specific country or globally;
- projects that demonstrate a high potential to address a pre-existing (our client is just entering in to the area and has not cause the existing situation) large community problem such as HIV-AIDS or an environmental problem such as soil or groundwater contamination;
- projects where the client has agreed to implement a practice beyond compliance with the PSs (i.e. receiving certifications beyond our requirements);
- projects where IFC is doing an advisory services project related to the mainstream investment on an environmental, social, health or safety aspect that goes beyond compliance with the PSs.

II. Application of Performance Standards as additionality: Application of the PSs will be viewed as additionality if there is a significant improvement in the baseline conditions. This improvement should be specifically and clearly articulated.

III. Examples of additionality articulation:

1. Poor articulation:

Design and implementation of the CAP to bring the Company into compliance with IFC environmental policies.

2. Improved articulation:

Because of IFC's intervention, the company will conduct detailed coastal surveys to determine where the most sensitive in-shore and on-shore habitats are located. This information will then be used to select the most appropriate types of oil spill prevention and clean up equipment in addition to making sensitivity maps and response equipment available to all operators in the bay.

3. Poor articulation:

The project will improve performance by lowering emissions to meet PS3.

4. Improved articulation:

Because of IFC's involvement, the project will reduce SO2 emissions by 20% over the next two years. SO2 is harmful to the environment and the human population as the primary component in acid rain.

5. Poor articulation:

Implementing an E&S Management System.

6. Improved articulation:

The client has agreed to design and implement a corporate wide E&S management system that for the first time will allow the corporation to compare and track E&S performance statistics across the organization and against key performance indicators. This system will allow management to track costs, efficiency, reduce waste and transfer knowledge between plant sites.

5 DIRECT INVESTMENTS: MOBILIZING ADDITIONAL RESOURCES

5.1 Purpose and Applicability

5.1.1 This procedure describes the process for obtaining IFC donor grant funds to assist IFC's client enhancement of the sustainability of their operations and projects. These activities are typically initiated during appraisal of the IFC Direct Investment projects but can also occur during supervision. Mobilization of grant or partially reimbursable grant funds typically includes the following steps:

- a. Identification of value-added activities which are beyond compliance and add value to S&E components of an IFC investment are typically accepted and approved.

5.1.2 This procedure is followed where opportunities have been identified during the appraisal stage, explained and discussed with the client, and where an agreement has been reached with the client to cooperate in the pursuit of funding in accordance with Procedure No. 3.2.11 and to provide support during the execution of the proposed project.

5.2 Procedure

5.2.1 Identify the IFC AS officer serving the department sponsoring the IFC investment or staff representing, specific-purpose funds. AS officers are familiar with diverse funding sources, donor fund-preferred countries, objectives, current availability of funds, and can recommend alternative source or contacts. Sources may include , PEPS, and Sustainable Business Initiative among others.

5.2.2 Discuss the investment and the proposed sustainability-enhancing project with the AS officer and determine potential funding sources. Seek preliminary approval and identification of a specific fund or combination of funds that will be used for payment of consulting services.

5.2.3 Confirm the client's commitment to participate in the activity.

5.2.4 Discuss the potential activity with the Transaction Leader. The Transaction Leader should then confirm with the Regional and/or Industry Department that the proposed AS is consistent with their strategies.

5.2.5 Determine with the AS officer who will manage the project and the iDesk process. The initiating document is a summary document that can either be a AS PDS-Early Review as per Annex 5.5.1 or the AS PDS-Approval as per Annex 5.5.2 depending on the funding source and funded amount.

5.2.6 Request ACS to create AS PDS-Early Review or AS PDS-Approval documents and provide information to be entered by ACS. The AS officer should also provide ACS with financial information to be entered in the document. Once entry completed, ACS will start the workflow in iDesk.

5.2.7 Following IFC approval of the AS document required by the funding mechanism, collaborate with the AS officer or fund representative to submit the proposed project to representatives of the funding source(s) to verify eligibility for funding.

5.2.8 Once IFC and donor approvals are in place, prepare a request for proposal (RFP) document and advertise this RFP as required by the IFC donor, AS officer or fund representative.

5.2.9 Review consultant proposals, select the best value-for-money consultant, and prepare selection memorandum consistent with IFC procedure Annex 5.5.7, then proceed to obtain a contract for the consultant through the eBlue system.

5.2.10 Manage/support the implementation of the activity, as required in accordance with the internal procedure of the funding departments or other funding source.

5.2.11 Request ACS to create AS supervision document as per Annex 5.5.3 in iDocs and provide information to be entered. AS officer should also provide ACS staff with financial information to be entered in AS supervision document. Once entries are completed, ACS starts the workflow in iDesk.

5.3 Responsibilities

5.3.1 The Transaction Leader is responsible for:

- a. Providing information on country strategies and reviewing the proposed AS activity to ensure consistency with such strategies; and
- b. Providing commercial, financial and economic data for insertion into AS documentation as required to assist Lead Specialist with securing the required funds.

5.3.2 The Lead Specialist is responsible for:

- a. Managing the administrative and technical tasks unless the fund source provides the AS Administrative support for the project ;

- b. Providing information to ACS for inclusion in AS PDS-Early Review, AS PDS-Approval , or AS Supervision documents;
 - c. Securing management approval for the proposed project; and
 - d. Providing support and guidance for the project, including, managing external consultants' project work to ensure adherence to the terms of reference and outcomes consistent with the project objective.
- 5.3.3 The ACS is responsible for:
- a. Creating AS PDS-Early Review or AS PDS-Approval documents and initiating the workflow in iDesk; and
 - b. Creating AS Supervision document after obtaining PDS-Approval and initiating the workflow in iDesk; and
 - c. Listing documents reviewed including Consultant ToR and RFP in ESRD and uploading same in iDocs.
- 5.3.4 The Team Leader is responsible for:
- a. N/A.
- 5.3.5 The Manager CESIG is responsible for approving:
- a. N/A.
- 5.3.6 The AS officer is responsible for:
- a. Assisting with the determination of eligibility of funding;
 - b. Assisting with the preparation of the RFP; and
 - c. Proving ACS with financial data required in AS PDS-Early Review, AS PDS-Approval and AS-Supervision document.
- 5.3.7 The Manager of AS is responsible for:
- a. N/A.
- 5.3.8 All AS DFOs and Departments are responsible for:
- a. N/A.
- 5.3.9 The Portfolio Officer is responsible:
- a. N/A.
- 5.3.10 The Portfolio Manager is responsible for:
- a. N/A.
- 5.3.11 The Director CES is responsible for:
- a. N/A.
- 5.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:

a. N/A.

5.3.13 The VP Industry is responsible for:

a. N/A.

5.4 Records and Documentation

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

5.4.2 Consultant ToR and RFP, filed in iDocs and referenced in the ESRD.

5.4.3 Copies of consultant proposals, filed in iDocs and referenced in the ESRD.

5.4.4 Records per the requirements of the funding activity referenced in the ESRD and filed in iDocs.

5.4.5 Implementation documents referenced in the ESRD.

5.5 Annexes

5.5.1 AS PDS-Early Review.
[Link provided for staff]

5.5.2 AS PDS-Approval
[Link provided for staff]

5.5.3 AS PDS-Supervision
[Link provided for staff]

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

5.5.5 Consultant selection memorandum.
[Link provided for staff]

5.5.6 Sample funding assistance proposal.
[Link provided for staff]

5.5.7 TAPP –Technical Assistance Project Proposal (example for TATF funding sources).
[Link provided for staff]

6 DIRECT INVESTMENTS: SUPERVISION

6.1 Purpose and Applicability

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

- a. Ensuring that any S&E CODs are met by the client prior to the disbursement;
- b. Conducting ongoing review of the S&E performance of the investment as per the conditions of the legal agreements, including:
 - b.1 Review of the AMR;
 - b.2 On-site supervision visits to review project performance;
 - b.3 Support to the Transaction Leader in responding to information or client notification of any serious incident or fatality related to the project;
 - b.4 Review of the client's implementation of the Action Plan including any Supplemental Actions;
 - b.5 Review of the client's S&E compliance, including public consultation, disclosure and monitoring requirements;
 - b.6 Review of the project's performance with reference to the project performance indicators and Monitorable Impacts; and
 - b.7 Generation of Environmental and Social Risk Rating (ESRR).
- c. Responding to any inquiries and complaints or requests for information;
- d. Providing inputs to Project Supervision Reports (PSRs) and Expanded Project Supervision Reports (XPSRs);
- e. Supporting CAO and IEG in the implementation of its work; and
- f. Responding to shortfalls in project performance.

6.2 Procedure

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

6.2.2 The Team Leader in conjunction with the Portfolio Manager determines which projects can be supervised and those that cannot be supervised. A listing of projects that cannot be supervised shall be prepared and submitted to the Manager CESIG along with an explanation of why supervision is not feasible. The ACS will document in the ESRD the reason for waiving supervision. The Portfolio Manager is responsible for

having the same documented in the Compliance Tracking System remark section. Scenarios for waiving supervision could include:

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

6.2.3 Where the Portfolio Officer is requesting an ESRR score for the PSR and the project has not submitted an AMR and a site visit from CES has not been undertaken for over 2 years, prepare PSR language reflecting lack of reporting information and assign an ESRR rating of No Opinion Possible (NOP).

6.2.4 For all AMRs, ensure the following:

- a. There is an AMR cover sheet produced by the ACS staff;
- b. The information provided is adequate. If not, request additional information from the client through the Portfolio Officer. (The ACS staff will log AMR follow up information in iDesk); and
- c. The report has been submitted according to the timeframes specified in the legal agreement. If the report has been submitted late, ask the Transaction Leader to communicate the need for timely reporting to the client.

6.2.5 For portfolio projects reviewed under the WBG Safeguard Policies which preceded the PS, follow the steps below using the AMR review template in iDocs and the ESRR worksheet in the CES workspace instead of the ESRD. Review the AMR, focusing on:

- a. The client's performance against the requirements of the investment agreement in particular and the applicable WBG Policies in general;
- b. The status of the client's implementation of the S&E Action Plan;
- c. Key steps the client may need to take to improve its performance;
- d. Previous AMR reviews and ESRR scores;
- e. Serious incidents to confirm whether they were reported in accordance with the legal agreements and to determine whether a consistent pattern emerges and follow up action is required with the client; and
- f. Recommendations that may have been made by CAO and the status of their implementation as per Procedure 6.2.16.

6.2.6 For portfolio projects reviewed under the PSs, review the AMR and record in the ESRD the following information:

- a. The client's performance against the requirements of the investment agreement in particular and the IFC PS in general;
- b. The status of the client's implementation of the Action Plan, including any Supplemental Actions;

- c. The status of the client's SEMS;
- d. The status of the client's community engagement process, including ongoing local disclosure of the Action Plan progress, consultation and any participatory monitoring or reporting obligations;
- e. The status of performance, based on the performance indicators as determined in Procedure 3.4.2e;
- f. Key performance gaps relating to the client's performance, the Action Plan including Supplemental Actions, or SEMS;
- g. Key steps the client may need to take to improve its performance;
- h. Previous AMR reviews and ESRR scores;
- i. Serious incidents to confirm whether they were reported in accordance with the legal agreements and to determine whether a consistent pattern emerges and follow up action is required with the client; and
- j. Recommendations that may have been made by CAO and the status of their implementation as per Procedure 6.2.16.

6.2.7 When the client reports serious incidents or fatalities to IFC, inform the Portfolio Officer and the Manager CESIG and record them in ESRD. Follow up with the client to ensure that the root cause of the incident is being investigated and appropriate corrective action is taken to prevent recurrence.

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

6.2.9 Review AMR in the ESRD and produce the ESRR and DOTS rating. Where a single AMR covers multiple IFC project numbers, record this in the AMR review. In addition, complete the AMR review sheet and return to the ACS staff for updating iDesk and the Computer Reference Database (CRD). For portfolio projects following previous WBG Safeguard Policies, the ESRR score will be used as a proxy to the DOTS rating.

6.2.10 Based on the AMR review, submit S&E wording for the PSR to the Portfolio Officer, as per Annex 6.5.1. Describe any key deficiencies that need corrective action.

6.2.11 Communicate the key deficiencies to the client directly or through the Portfolio Officer, and request corrective action.

6.2.12 Rate the achievement of Monitorable Impacts in DOTS.

6.2.13 Determine the need for a supervision site visit based on the ESRR score and the following minimum criteria:

Priority Supervision Field Visit	Frequency
<ul style="list-style-type: none"> ➤ Category A projects in construction ➤ Category A projects with ESRR of 3 & 4 ➤ Category B projects with ESRR of 3 & 4 	Annual
<ul style="list-style-type: none"> ➤ Category A projects with ESRR of 1 & 2 	Every 2 years
<ul style="list-style-type: none"> ➤ Category B projects with ESRR 1 & 2 	Every 3 years

Other factors that could trigger a supervision mission outside of these criteria above include but may not be limited to reporting delinquencies, a catastrophic incident, NGO complaints, CAO investigations, an XPSR or an IEG visit. If a mission is initiated because of a circumstance such as this, it should be discussed with the Team Leader, Portfolio Officer and Manager CESIG. Category C projects do not normally require supervision site visits.

6.2.14 Conduct a site visit and agree on Supplemental Actions with the client. For Category A projects, the client will retain qualified and experienced external expert(s) to verify its monitoring information. Record the key findings of the supervision visit in the ESRD, referencing the BTO or External Expert’s report and update the ESRR score. Provide the ACS staff with updated ESRR score information and the supervision mission date for updating into iDesk and CRD where applicable. In DOTS, enter the Monitorable Impacts and any new issues that would need to be monitored in the future.

6.2.15 If the project is being evaluated by IEG and an XPSR is scheduled for this project, provide support to the project team as needed, recording all key findings, decisions, and supporting analysis in the ESRD. Complete this information in the XPSR template for portfolio projects following the WBG Safeguard Policies. Provide XPSR wording to the Portfolio Officer. Guidance from IEG on environmental input to the XPSR may be found at <http://ideskintraprod.ifc.org/ifcint/oeg.nsf/Content/XPSR>.

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

- a. Cooperate with the CAO staff;
- b. Communicate the process to the Transaction Leader and the client and keep the client informed of the CAO’s investigation;

- c. Once the CAO has drafted a report, ask the Transaction Leader to coordinate with the project team and the client to review the report for accuracy, and to provide further information to the CAO as needed;
- d. Submit the draft response and comments to the Manager CESIG for review, before it is submitted to the CAO and document this process in the ESRD;
- e. The Transaction Leader should ask the CAO's office to post the IFC project team's response to the CAO's draft report on the CAO's Web site; and
- f. The Lead Specialist should record the CAO recommendations and the implementation plan in the ESRD.

6.3 Responsibilities

- 6.3.1 The Transaction Leader is responsible for:
 - a. Informing the Lead Specialist of any S&E CODs not complied with.
- 6.3.2 The Lead Specialist is responsible for:
 - a. Providing clearance on S&E CODs;
 - b. Seeking approval from the Manager CESIG to waive CODs or to add new CODs;
 - c. Reviewing the AMR to determine S&E performance and documenting this in ESRD;
 - d. Providing PSR and XPSR S&E wording to the Portfolio Officer;
 - e. Conducting site visits or retaining a consultant to conduct these on IFC's behalf and update the ESRR score based on findings from the site visits;
 - f. Notifying the Portfolio Officer, consulting with the Manager CESIG and making a recommendation to the Director of CES and the Director Investment Department (and where applicable Regional Director) in relation to action required in response to exceptional circumstances (paragraph 6.2.7);
 - g. Notifying the Manager CESIG of major incidents;
 - h. Notifying the Manager CESIG of complaints accepted by the CAO; and
 - i. Providing input to the Portfolio Officer for responses to complaints accepted by the CAO.
- 6.3.3 ACS staff is responsible for:
 - a. Logging the AMRs in iDesk, producing the AMR cover sheet and distributing it to the Lead Specialist;
 - b. Updating ESRR score in iDesk and CRD after AMR review completion;
 - c. Updating the AMR review management field in iDesk;
 - d. Updating AMR follow up field in iDesk;
 - e. Entering Supervision data into iDesk;
 - f. Distributing AMR review to Portfolio Officer, Portfolio Assistant and Team Leader; and
 - g. Documenting in the ESRD reasons for waiving supervision.

- 6.3.4 The Team Leader is responsible for:
- a. Interacting with the Portfolio Manager to determine a supervision plan; and
- 6.3.5 The Manager CESIG is responsible for:
- a. Clearing waiver of S&E CODs;
 - b. Clearing any new COD's not in the original documents;
 - c. Making recommendation to the Director of CES and the Director Investment Department (and where applicable Regional Director) in relation to action required in response to exceptional circumstances (paragraph 6.2.7); and
 - d. Reviewing CES input for responses to CAO investigations.
- 6.3.6 The AS officer is responsible for:
- a. N/A.
- 6.3.7 The Manager of AS is responsible for:
- a. N/A.
- 6.3.8 All AS DFOs and Departments are responsible for:
- a. N/A.
- 6.3.9 The Portfolio Officer is responsible for:
- a. Requesting from the client, obtaining, and providing the AMR to the Lead Specialist;
 - b. Communicating to the client any data deficiencies and/or Supplemental Actions identified by the Lead Specialist;
 - c. Requesting and incorporating S&E wording into the PSR and XPSR;
 - d. Notifying the Lead Specialist, the Manager of the Investment Department and Corporate Relations, as needed, of any incidents;
 - e. Notifying the client when the CAO has accepted a complaint;
 - f. Coordinating a project team response to a CAO complaint; and
 - g. Notifying the Lead Specialist if there is a change in the status of the legal agreement, including loan prepayment, assignment or sale of the loan to another party, or change in equity ownership.
- 6.3.10 The Portfolio Manager is responsible for:
- a. Interacting with the Team Leader to determine a supervision plan; and
 - b. Documenting in the Compliance Tracking System remark section reason for waving supervision.
- 6.3.11 The Director CES is responsible for:
- a. Making a determination, in conjunction with the Director Investment Department (and where applicable Regional Director) if a disclosure should be made because of an exceptional circumstance.

- 6.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
- a. Making a determination, in conjunction with the Director CES, if a disclosure should be made because of an exceptional circumstance.
- 6.3.13 The VP Industry is responsible for:
- a. N/A.

6.4 Records and Documentation

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

6.5 Annexes

- 6.5.1 PSR wording
[Link provided for staff]

7 FINANCIAL INTERMEDIARY INVESTMENTS: EARLY REVIEW AND APPRAISAL

7.1 Purpose and Applicability

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

- a. Establishing the applicable performance requirements to be applied by the FI to its projects; and
- b. Determining the adequacy of the FI's SEMS to meet the applicable performance requirements and addressing any gaps in these systems.

7.2 Procedure

7.2.1 Obtain preliminary information on the FIs portfolio from the Transaction Leader, as provided in Annex 7.5.1.

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

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

7.2.3 Provide language for the MOR including the current ESRR, PDS-IR, and the supervision requirements as per Annex 7.5.2 and go to Procedure No. 8.2.1.

7.2.4 For projects where IFC is considering an investment in a market instrument issued by the FI, review available information to determine whether the underlying FI portfolio is expected to meet the IFC PS. Based on this review, proceed as follows: If the FI portfolio is expected to meet the IFC PS, record the decisions and supporting analysis in the ESRD, classify the project as category FI, provide language for the MOR and PDS-IR as per Annex 7.5.3. and go to Procedure 8.2.1;

- a. If the information provided is inadequate, request additional information from the Transaction Leader and repeat this procedure until adequate information is available;
- b. If the FI portfolio is not expected to meet the IFC PS as applicable to FIs, inform the Team Leader, the Manager CESIG and the Transaction Leader about the status and provide MOR language to the Transaction Leader as indicated in Annex 7.5.4 and record findings in ESRD; and
- c. For all other investments go to Procedure No 7.2.1.

7.2.5 For FI investments where:

- a. The FI is engaged only in Retail Operations and has no plans to engage in any other business in the future, or IFC's financing to the FI is intended only for Retail Operations:
 - a.1 Categorize the project as a Category C investment, record the decision and supporting analysis in the ESRD, notify the Transaction Leader, provide language for the MOR and PDS-IR to the Transaction Leader as indicated in Annex 7.5.5, and go to Procedure 8.2.1. These projects will avoid investments in activities on IFC's FI Exclusion List in their treasury or investment operations.

7.2.6 For FI investments where:

- a. IFC is supporting a trade finance transaction through the Trade Unit, classify the transaction as a Category C project and IFC's Trade Unit will need to apply the trade finance Exclusion List for all activities supported under the transaction;
- b. The FI is engaged in supporting only microfinance, or IFC's financing is intended only to support the FI's investments in this area, classify the project as FI only requiring the application of the Microfinance Exclusion List; and
- c. Record the decision and supporting analysis in the ESRD; and provide language for the MOR, as indicated in Annex 7.5.6.

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

- a. Corporate or legal entities other than individuals, or for other activities that are expected to have potential S&E impacts:
 - a.1 Categorize the project as FI, requiring the application of the FI Exclusion List, national S&E regulations and possibly the IFC PS; record the decision and supporting analysis in the ESRD; and provide language for the MOR as indicated in Annex 7.5.7.

7.2.8 Where the IFC supported FI is engaged in financing or investing in market instruments for activities with S&E risk and where the FI has little or no leverage or no ability to carry out a reasonable review of the project's risk, (such as with distressed asset pools) apply the FI Exclusion List and a reputation risk screen in addition to any other applicable requirements. Record the decision and supporting analysis in the ESRD; and provide language for the MOR as indicated in Annex 7.5.7.

7.2.9 If requested, provide S&E language to the Transaction Leader to include in the mandate letter that lists the conditions of IFC participation. This should include:

- a. Expected applicable performance requirements; and
- b. The need for the FI to establish an SEMS and capacity to implement the same.

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

7.2.11 For all FI investments other than those defined in Procedure 7.2.7 go to Procedure 7.2.14. For projects meeting the requirements outlined in Procedure 7.2.7:

- a. Obtain further information regarding the FI's portfolio either using the Financial Intermediary Portfolio Questionnaire or other portfolio information available from the Investment Department.

7.2.12 Determine the significance of business activities that have potential S&E impact by reviewing the portfolio and sectoral information. Determine the applicable performance requirements as outlined below:

- a. All FIs will ensure that their financing and investments are not in contravention of an IFC Exclusion List;
- b. Review the tenor, transaction sizes and the industrial sectors where the FI is investing. In addition:
 - c.1 Where the portfolio review indicates that the FI's investments are expected to have minimal S&E impact, the FI will ensure that its sub-projects meet the applicable national S&E laws and regulations;
 - c.2 Where the portfolio review indicates that the FI's investments could have potentially significant S&E impact, the FI will ensure that its sub-projects meet the relevant elements of the IFC PS in addition to applicable national S&E laws and regulations.

7.2.13 Record the decision on the applicable performance requirements and any supporting analysis in the ESRD. Peer review (with another colleague), the determination for minimal impact, and transmit this decision to the Transaction Leader for communication to the client. Where the applicable performance requirements include the IFC PS, ensure that the Transaction Leader has provided a copy of the IFC PS to the client and notify the Team Leader.

7.2.14 Request and obtain information about the client's SEMS as provided in questionnaire 7.5.11.

7.2.15 Where the applicable performance requirements, as determined in Procedure 7.2.12, includes the IFC PS, and where it is considered necessary to review further the client's SEMS, communicate with the client directly and review with the Team Leader the need to carry out a field visit to the FI.

7.2.16 Review the client's SEMS, considering its adequacy to implement the applicable performance requirements. Consider the following aspects of the client's system, as relevant:

- a. S&E policies and procedures;
- b. The current organizational structure and staffing;

- c. Skills and competencies in S&E areas;
- d. Training and awareness of the client's investment, legal, and credit officers on the organization's EHS requirements and the SEMS;
- e. Reporting of results to management;
- f. Track record to date in SEMS implementation; and
- g. Performance monitoring procedure.

7.2.17 Identify any SEMS enhancements the client would need to undertake to address gaps in these areas, and incorporate this in the SEMS Plan to be included in the legal agreements and obtain approval from the Team Leader. Record the decision and supporting analysis in the ESRD and provide language for the PDS-IR to another specialist within the CESIG FI team for clearance before submitting it to the Transaction Leader.

7.2.18 Ask the Manager CESIG to call for a Peer Review Meeting in instances where:

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

7.2.19 Detailed technical reviews are encouraged for any projects where the project team can benefit from additional expertise.

7.2.20 The Lead Specialist should determine the appropriate type of peer review required.

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

7.2.22 Score the applicable performance indicators that will be used to supervise the project performance going forward. Record these in the ESRD.

7.2.23 Record all material decisions and supporting analysis in the ESRD and complete required entries in the ESRD in order to generate the ESRR.

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

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

7.2.26 Request ACS to list documents reviewed in ESRD and upload same in iDocs.

7.3 Responsibilities

- 7.3.1 The Transaction Leader is responsible for:
- a. Ensuring the involvement of the CES specialist and updating the team in iDesk as per communicated work allocations;
 - b. Providing all required client information about the client's business and its portfolio as provided in Annex 7.5.8, 7.5.9 and 7.5.11, to the Lead Specialist; and
 - c. Communicating the applicable performance requirements and the IFC PS to the client.
- 7.3.2 The Lead Specialist is responsible for:
- a. Reviewing the project information;
 - b. Determining the applicable performance requirements and SEMS enhancements and SEMS Plan;
 - c. Assigning S&E category to the project;
 - d. Peer reviewing (with another colleague) projects with minimal impacts;
 - e. Consulting Team Leader regarding the need for appraisal visit;
 - f. Requesting a Peer Review Meeting, when required; and
 - g. Providing the requisite language for the MOR ensuring that the S&E risks are adequately addressed, and PDS-IR and the Term Sheet as requested.
- 7.3.3 The ACS is responsible for:
- a. Coordinating Peer Review Meeting logistics as per Annex 3.5.2; and
 - b. Listing documents reviewed by the Lead Specialist in ESRD and uploading the same into iDocs.
- 7.3.4 The Team Leader is responsible for:
- a. Reviewing projects where PS is applicable;
 - b. Approving the need for appraisal visit; and
 - c. Clearing the SEMS plans.
- 7.3.5 The Manager CESIG is responsible for approving:
- a. The need for a Peer Review Meeting as requested by the Lead Specialist and ensuring that it is conducted according to provisions of this procedure; and
 - b. The appointment and Terms of reference of External Experts to be used by IFC.
- 7.3.6 The AS officer is responsible for:
- a. N/A.
- 7.3.7 The Manager of AS is responsible for:
- a. N/A.

- 7.3.8 All AS DFOs and Departments are responsible for:
a. N/A.
- 7.3.9 The Portfolio Officer is responsible:
a. N/A.
- 7.3.10 The Portfolio Manager is responsible for:
a. N/A.
- 7.3.11 The Director CES is responsible for:
a. N/A.
- 7.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
a. N/A.
- 7.3.13 The VP Industry is responsible for:
a. N/A.

7.4 Records and Documentation

- 7.4.1 Request ACS to list in the ESRD and file in iDocs any relevant supporting appraisal documents.
- 7.4.2 In addition, any communication or information not recorded in the ESRD system needs to be filed in iDocs and referenced in the ESRD.

7.5 Annexes

- 7.5.1 Preliminary Financial Intermediary questionnaire.
[Link provided for staff]
- 7.5.2 Suggested MOR, PDS-IR and SPI language for repeat investments.
[Link provided for staff]
- 7.5.3 Suggested MOR, PDS-IR and SPI language for investment in market instruments by FIs expected to meet IFC PS.
[Link provided for staff]
- 7.5.4 Suggested MOR, PDS-IR and SPI language for investment in market instruments issued by FIs, not expected to meet IFC PS.
[Link provided for staff]

7.5.5 Suggested MOR, PDS-IR and SPI language for FIs classified as Category C.
[Link provided for staff]

7.5.6 Suggested language for FIs that only need to apply an exclusion list.
[Link provided for staff]

7.5.7 Suggested MOR, PDS-IR and SPI language for FIs that would need to apply the national S&E regulations and possibly the IFC PS.
[Link provided for staff]

7.5.8 Financial Intermediary Portfolio questionnaire.
[Link provided for staff]

7.5.9 Financial Intermediary sectors of investment.
[Link provided for staff]

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

7.5.11 EHS/SEMS Questionnaire.
[Link provided for staff]

8 FINANCIAL INTERMEDIARY INVESTMENTS: IFC DISCLOSURE AND COMMITMENT

8.1 Purpose and Applicability

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

- a. Identifying possible value-added opportunities where IFC can help mobilize additional resources for the client;
- b. IFC's public disclosure of the SPI; and
- c. Responding to comments and inquiries during the IFC disclosure period prior to Board consideration of the investment.

8.2 Procedure

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

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

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

8.2.3 Provide the S&E language for the SPI as per Annex 8.5.1 to the Transaction Leader, who will obtain the client's written acceptance of it for factual accuracy and approval for public release to the InfoShop no later than 30 days prior to the IFC Board's consideration of the investment.

8.2.4 The Lead Specialist will clear the SPI workflow in iDesk.

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

8.2.6 Where there are inquiries or complaints raised during the disclosure period, support the Transaction Leader in providing a response, and communicate them to the Team Leader and the Manager CESIG for further action. The Transaction Leader is responsible for preparing the response to the request for information but may seek guidance from Corporate Relations in applying IFC's Disclosure Policy. Record of these inquiries or complaints should be logged in the ESRD.

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

8.2.8 Determine the supervision requirements, including:

- a. SEPR as per Annex 8.5.2, including any requirements for reporting at the sub-project level;
- b. Whether the S&E reporting needs to be separate or part of the general reporting to IFC;
- c. The frequency of reporting; and
- d. Where possible IFC's reporting requirements should take advantage of any other reporting by the client. Discuss with the client any opportunities for publicly available non-financial reporting and document the same in the ESRD.

8.2.9 Provide inputs for the drafting of legal agreements where the standard language requires modification or the project requirements require a change to the standard legal covenants.

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

8.3 Roles and Responsibilities

8.3.1 The Transaction Leader is responsible for:

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

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

- a. Identifying potential value-added opportunities;

- b. Providing S&E language for the SPI to the Transaction Leader;
 - c. Providing inputs to the Transaction Leader for the Board documents and the legal agreements;
 - d. Supporting Transaction Leader in responding to external inquiries; and
 - e. Approving SPI workflow in iDesk.
- 8.3.3 The ACS is responsible for:
- a. N/A.
- 8.3.4 The Team Leader is responsible for:
- a. N/A.
- 8.3.5 The Manager CESIG is responsible for:
- a. N/A.
- 8.3.6 The AS officer is responsible for:
- a. N/A.
- 8.3.7 The Manager AS is responsible for:
- a. N/A.
- 8.3.8 All AS DFOs and Departments are responsible for:
- a. N/A.
- 8.3.9 The Portfolio Officer is responsible:
- a. N/A.
- 8.3.10 The Portfolio Manager is responsible for:
- a. N/A.
- 8.3.11 The Director CES is responsible for:
- a. N/A.
- 8.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
- a. N/A.
- 8.3.13 The VP Industry is responsible for:
- a. Waiver of disclosure requirements; and
 - b. Informing the Board of Directors on any waiver of disclosure requirements.

8.4 Records and Documentation

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

- a. Language for the SPI.

8.5 Annexes

8.5.1 SPI language.
[To be provided]

8.5.2 SEPR template.
[To be provided]

9 FINANCIAL INTERMEDIARY INVESTMENTS: MOBILIZING ADDITIONAL RESOURCES

9.1 Purpose and Applicability

9.1.1 This procedure applies to all Financial Intermediary projects and it describes the process for obtaining IFC donor grant funds to assist IFC's client enhancement of the sustainability of their operations and projects. These activities are typically initiated during appraisal of the IFC FI projects but can also occur during supervision. Mobilization of grant or partially reimbursable grant funds typically includes the following steps:

- a. Identification of value-added activities which are beyond compliance and add value to S&E components of an IFC investment are typically accepted and approved as determined in procedure 8.2.1.

9.2 Procedure

9.2.1 Identify the IFC AS officer serving the department sponsoring the IFC investment or staff representing, specific-purpose funds. AS officers are familiar with diverse funding sources, donor fund-preferred countries, objectives, current availability of funds, and can recommend alternative source or contacts. Sources may include TATF, PEPS, and Sustainable Business Initiative among others.

9.2.2 Discuss the investment and the proposed sustainability-enhancing project with the TATF officer and determine potential funding sources. Seek preliminary approval and identification of a specific fund or combination of funds that that will be used for payment of consulting services.

9.2.3 Confirm the client's commitment to participate in the activity.

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

9.2.5 Determine with the AS officer who will manage the project and handle the iDesk process. The initiating document is a summary document that can either be an AS PDS-Early Review or the AS PDS-Approval depending on the funding source and amount.

9.2.6 Provide information to the ACS so that they can create AS PDS-Early Review or AS PDS-Approval documents. The AS officer should also provide ACS with financial information to be entered in the document. Once entry completed, ACS will start the workflow in iDesk.

9.2.7 Following approval of the AS document required by the funding mechanism, collaborate with the AS officer or fund representative to submit the proposed project to representatives of the funding source(s) to verify eligibility for funding.

9.2.8 Once IFC and donor approvals are in place, prepare a request for proposal (RFP) document and advertise this RFP as required by the IFC donor, AS officer or fund representative.

9.2.9 Request ACS to create AS supervision document as per Annex 5.5.3 in iDocs and provide information to be entered. AS officer should also provide ACS staff with financial information to be entered in AS supervision document. Once entries are completed, ACS starts the workflow in iDesk.

9.2.10 Review consultant proposals, select the best value-for-money consultant, and prepare selection memorandum consistent with IFC procedure Annex 5.5.7, and then proceed to obtain a contract for the consultant through the eBlue system.

9.2.11 Manage/support the implementation of the activity, as required in accordance with the internal procedure of the funding departments or other funding source.

9.3 Responsibilities

9.3.1 The Transaction Leader is responsible for:

- a. Providing information on defining country strategies and reviewing the proposed activity to ensure consistency with such strategies; and
- b. Providing commercial, financial and economic data for insertion into AS documentation as required to assist Lead Specialist with securing the required funds.

9.3.2 The Lead Specialist is responsible for:

- a. Managing the administrative and technical tasks unless the fund source provides the AS administrative support for the project;
- b. Securing management approval for the proposed project;
- c. Providing information to ACS for inclusion in AS PDS-Early Review, AS PDS-Approval , or AS Supervision documents; and
- d. Providing support and guidance for the project, including, managing external consultants' project work to ensure adherence to the terms of reference and outcomes consistent with the project objective.

9.3.3 The ACS is responsible for:

- a. Creating AS PDS-Early Review or AS PDS-Approval documents and initiating the workflow in iDesk; and

- b. Creating AS Supervision document after obtaining PDS-Approval and initiating the workflow in iDesk; and
 - c. Listing documents reviewed including Consultant ToR and RFP in ESRD and uploading same in iDocs.
- 9.3.4 The Team Leader is responsible for:
- a. N/A.
- 9.3.5 The Manager CESIG is responsible for:
- a. N/A.
- 9.3.6 The AS officer is responsible for:
- a. Assisting with the determination of eligibility of funding;
 - b. Assisting with the preparation of the RFP; and
 - c. Proving ACS with financial data required in AS PDS-Early Review, AS PDS-Approval and AS-Supervision document.
- 9.3.7 The Manager of AS is responsible for:
- a. N/A.
- 9.3.8 All AS DFOs and Departments are responsible for:
- a. N/A.
- 9.3.9 The Portfolio Officer is responsible:
- a. N/A.
- 9.3.10 The Portfolio Manager is responsible for:
- a. N/A.
- 9.3.11 The Director CES is responsible for:
- a. N/A.
- 9.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
- a. N/A.
- 9.3.13 The VP Industry is responsible for:
- a. N/A.

9.4 Records and Documentation

- 9.4.1 Activity description and terms of reference recorded in the ESRD.

- 9.4.2 Consultant ToR and RFP, filed in iDocs and referenced in the ESRD.
- 9.4.3 Copies of consultant proposals, filed in iDocs and referenced in the ESRD.
- 9.4.4 Records per the requirements of the funding activity referenced in the ESRD and filed in iDocs.
- 9.4.5 Implementation documents referenced in the ESRD.

9.5 Annexes

- 9.5.1 AS PDS-Early Review.
[Link provided for staff]
- 9.5.2 AS PDS-Approval
[Link provided for staff]
- 9.5.3 AS PDS-Supervision
[Link provided for staff]
- 9.5.4 Sample funding assistance proposal.
[Link provided for staff]
- 9.5.5 TAPP –Technical Assistance Project Proposal (example for TATF funding sources).
[Link provided for staff]
- 9.5.6 Sample ToRs, RFPs.
[Link provided for staff]
- 9.5.7 Consultant selection memorandum.
[Link provided for staff]

10 FINANCIAL INTERMEDIARY INVESTMENTS: SUPERVISION

10.1 Purpose and Applicability

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

- a. Ongoing review of the S&E performance of the project as per the conditions of the legal agreements, including:
 - a.1 Review of the SEPR, once it has been obtained from the client by the Investment Department;
 - a.2 Status of implementation of the SEMS Plan, including any SEMS enhancements, once the client information has been obtain by the Investment Department;
 - a.3 Measurement and verification of S&E compliance;
 - a.4 Client performance with reference to project performance indicators; and
 - a.5 Generation of the Environmental and Social Risk Rating (ESRR).
- b. Providing inputs to Project Supervision Reports (PSRs) and XPSR and recording them in the ESRD;
- c. Supporting any CAO action when responding to an inquiry or complaint;
- d. Responding to gaps and shortfalls in the client's S&E performance; and
- e. Responding to clients when they have queries, or need guidance on understanding IFC's PS and applicable performance requirements.

10.2 Procedure

10.2.1 After the legal agreements have been executed the Transaction Leader will be responsible for identifying and seeking the Lead Specialist clearance for S&E CODs. When such a clearance is sought, obtain and review information as required to evidence the same and provide clearances. Inform the Team Leader and the Transaction Leader if there are any S&E CODs not complied with, based on the above review. Waivers of S&E CODs and any new CODs negotiated and agreed with the client should be cleared by the Manager CESIG and documented in the ESRD.

10.2.2 The Portfolio Officer is responsible for ensuring that the client obligations including SEPR reporting are fulfilled. Where a client project has not submitted an SEPR and is in a financial, legal, or administrative dispute with IFC that may impair IFC's ability to access the information required for supervision of the project, obtain confirmation of this from the Portfolio Officer. Determine whether the project supervision should be postponed or terminated, as indicated below:

- a. Where the dispute is considered temporary and resolvable by the Portfolio Officer, the project supervision may be considered for postponement;

- b. Where the dispute is considered either permanent or irresolvable, the project supervision activities may be considered for termination, or supervision recommendations should be made to the Manager CESIG and the Investment Department Portfolio Manager for a decision to postpone, suspend or terminate supervision by IFC; and
- c. Record the above information in ESRD.

10.2.3 Where the applicable performance requirements, as determined in Procedure 7.2.12, include the IFC PS, and where it is considered necessary to review further the client's performance, communicate directly with the client or carry out a field visit to the FI.

10.2.4 Record any waivers and additional conditions negotiated with the client in the ESRD.

10.2.5 When a SEPR is submitted by the client, ensure the following:

- a. There is an AMR cover sheet produced by the ACS staff;
- b. The information provided is adequate. If not ask the Portfolio Officer to obtain additional information from the client and copy ACS staff who will. AMR follow up information in iDesk; and
- c. The report has been submitted as per the timeframes specified in the legal agreement. If the report has been submitted late, ask the Portfolio Officer to communicate the need for timely reporting to the client.

10.2.6 Review the SEPR, focusing on:

- a. The client's performance against the applicable performance requirements as determined during project review and appraisal;
- b. The status of the client's SEMS Plan and timeline;
- c. Performance against the performance indicators as determined in Procedure 7.2.22;
- d. Previous SEPR reviews and ESRR scores;
- e. Key performance gaps relating to the client's performance and SEMS;
- f. Key steps the client may need to take to improve performance; and
- g. Follow up with client.

10.2.7 Ascertain whether:

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

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

10.2.9 The Portfolio Officer should inform the Lead Specialist if the client is expected to or has changed their business. If the client reports a plan to enter into a new business line, evaluate the S&E implications on the IFC portfolio of any proposed change in business. Based on this evaluation, determine whether there would be any change in the applicable performance requirements that the FI would need to apply to its portfolio. If there is a change in the performance requirements, inform the Portfolio Officer for further consideration and action.

10.2.10 Complete the SEPR review, recording all key findings, decisions, and supporting analysis in the ESRD, generate the ESRR rating in ESRD, and file in iDocs. For portfolio projects following WBG Safeguard Policies, undertake SEPR review using SEPR review template in iDocs and ESRR score sheet in CES workspace. Notify the ACS staff of SEPR review completion providing a link through iDesk for updating iDesk and CRD. If there are gaps in the client's performance or other issues of concern, alert the Portfolio Officer for follow-up by the Investment Department, and provide the necessary support as required.

10.2.11 For projects that have not submitted a SEPR and a site visit from CES has not been undertaken for over two years, assign an ESRR rating of No Opinion Possible (NOP).

10.2.12 If the project is being evaluated as part of IFC's XPSR program, provide written input to the document. If the project XPSR is being evaluated by IEG, provide support to the project team as needed, recording all key findings, decisions, and supporting analysis in the ESRD or in the XPSR template for portfolio projects under previous E&S Policies.

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

- a. Assist the CAO in obtaining information and in liaising with the client on the CAO's behalf, if needed;
- b. Communicate the process to the client and keep them informed of the CAO's investigation;

- c. Once the CAO has drafted a report, ask the Portfolio Officer to coordinate with the project team and with the client to review the report for accuracy, and to provide further information to the CAO as needed;
- d. Submit the draft response and comments to the Manager CESIG for review before it is submitted to the CAO;
- e. The Portfolio Officer should ask the CAO's office to post the IFC project team's response to the CAO's draft report on the CAO's web site; and
- f. Record the complaint and the implementation steps to be taken in the ESRD.

10.3 Roles and Responsibilities

- 10.3.1 The Transaction Leader is responsible for:
 - a. Seeking the Lead Specialist clearance for S&E CODs.

- 10.3.2 The Lead Specialist is responsible for:
 - a. Inform Team Leader and Transaction Leader of any S&E CODs not complied with;
 - b. Reviewing the SEPR and other matters reported pertaining to S&E issues and suggesting corrective and follow-up action with the client as required; and
 - c. Communicating with the client and conducting a field visit as required to carry out supervision.
 - d. Providing PSR and XPSR S&E wording to the Portfolio Officer
 - e. Inform the Portfolio Officer, consult with the Manager CESIG and prepare recommendation for the Director CES and the Director Investment Department (and where applicable Regional Director) about exceptional circumstances situations.

- 10.3.3 The ACS staff is responsible for:
 - a. Logging the AMRs in iDesk, producing the AMR cover sheet and distributing it to the Lead Specialist;
 - b. Updating ESRR score in iDesk and CRD after AMR review completion;
 - c. Updating the AMR review management field in iDesk;
 - d. Updating AMR follow up field in iDesk;
 - e. Entering Supervision data into iDesk; and
 - f. Distributing AMR review to Portfolio Officer, Portfolio Assistant and Team Leader.

- 10.3.4 The Team Leader is responsible for:
 - a. N/A.

- 10.3.5 The Manager CESIG is responsible for:
 - a. Clearing waiver of S&E CODs;
 - b. Clearing any new COD's not in the original documents;
 - c. Reviewing exceptional circumstances; and

- d. Making recommendation to the Director of CES in relation to action required in response to exceptional circumstances (paragraph 10.2.8).
- 10.3.6 The AS officer is responsible for:
- a. N/A.
- 10.3.7 The Manager of AS is responsible for:
- a. N/A.
- 10.3.8 All AS DFOs and Departments are responsible for:
- a. N/A.
- 10.3.9 The Portfolio Officer is responsible for:
- a. Managing the overall communication with the client;
 - b. Obtaining SEPR from the client and providing it to the Lead Specialist and following up on any questions about the adequacy of information;
 - c. Conveying to the Lead Specialist any material change in business line or incident as reported by the client; and
 - d. Facilitating direct conversation/field visits for the CES specialist to carry out supervision.
- 10.3.10 The Portfolio Manager is responsible for:
- a. N/A.
- 10.3.11 The Director CES is responsible for:
- a. Making a determination, in conjunction with the Director Investment Department (and where applicable Regional Director) if a disclosure should be made because of an exceptional circumstance.
- 10.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
- a. Making a determination, in conjunction with the Director CES, if a disclosure should be made because of an exceptional circumstance.
- 10.3.13 The VP Industry is responsible for:
- a. N/A.

10.4 Records and Documentation

- 10.4.1 The following should be recorded in the ESRD:
- a. SEPR review; and
 - b. List of follow-up actions for the client.

10.5 Annexes

10.5.1 SEPR review format.
[Link provided for staff]

11 SOCIAL AND ENVIRONMENTAL REQUIREMENTS FOR STANDALONE ADVISORY SERVICES

11.1 Purpose and Applicability

11.1.1 This procedure applies to Advisory Services (AS) projects that are not related to an IFC Direct Investment. Examples include:

- a. Private Enterprise Partnerships and Project Development Facilities;
- b. DFOs, such as FIAS;
- c. INCAF and EOF;
- d. All fee-paid AS assignments, for example, those undertaken by the Advisory Services Department (CAS); and
- e. Global Partnership on Output Based Aid (GPOBA).

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

11.1.3 TATF or Capacity Building Facility (CBF), that are engaged solely in raising funds from donors and channeling them to other Departments or Groups within IFC that manage or implement the AS activity, are not directly covered under this procedure. They, however, do need to ensure that the IFC Department or DFO that will be managing the AS Activity has measures in place to meet the applicable performance requirements, as outlined in Annex 11.5.1.

11.2 Procedure

11.2.1 For DFOs, Facilities or Departments engaged in AS not related to a Direct Investment, CESIG will provide support on the following matters, where requested:

- a. Reviewing the nature of the AS activities in question and determining, based on the review, any possible S&E aspects, positive or negative, that could be associated with the AS activities;
- b. Determining and communicating the applicable performance requirements that the DFO or Department would need to consider in their activities, as outlined in Annex 11.5.1;
- c. Providing guidance and advice, as requested by the Manager of the Department or the DFO, on the following:
 - c.1 Developing and implementing measures, such as an SEMS, that would enable the DFO or Department to meet the standards outlined above and to explore possible S&E opportunities;
 - c.2 Other S&E matters, such as recruitment of staff, training and capacity building within the DFO or Department; and
- d. Providing direct S&E review support where sought by the DFO, GPOBA or Department and approved by the Manager CESIG. Provide Transaction

Leader or Task Team Leader as appropriate statement documenting the outcome of the S&E review.

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

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

11.2.3 In the event that the GPOBA investment project involves an operation by a World Bank Group member other than the IBRD, and unless agreed otherwise with IFC or MIGA, the Task Team Leader should obtain a formal statement from IFC or MIGA that documents its due diligence process and any conditions imposed on the project to ensure compliance with all applicable IFC or MIGA Performance Standards (such as the project Action Plan). This may include suggested remedial actions documented in an Action plan. A copy of this statement should be provided to the GPOBA Management Unit, QACU and LEGEN. Such compliance statement will be in lieu of compliance with the Bank safeguard policies, and will be for internal use by GPOBA only unless otherwise agreed with IFC or MIGA.

11.2.4 In the case where the GPOBA project is in conjunction with an IFC Direct Investment project, IFC and GPOBA may agree that IFC will perform the supervision, otherwise IBRD will supervise the project.

11.3 Responsibilities

11.3.1 The Transaction Leader is responsible for:

- a. N/A.

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

- a. Reviewing, determining, and communicating the applicable performance requirements;
 - b. Determining the nature and extent of CESIG involvement in the proposed fee-paying AS assignment;
 - c. Proving other support in connection with the above; and
 - d. Provide Transaction Leader or Task Team Leader as appropriate statement documenting the outcome of the S&E review.
- 11.3.3 The ACS is responsible for:
- a. N/A.
- 11.3.4 The Team Leader is responsible for:
- a. N/A.
- 11.3.5 The Manager CESIG is responsible for:
- a. Authorizing, at the proposal stage, any planned involvement of a Lead Specialist in an Advisory Assignment.
- 11.3.6 The AS officer is responsible for:
- a. N/A.
- 11.3.7 The Manager of AS is responsible for:
- a. Developing and implementing suitable measures to ensure that all AS meets the applicable performance requirements; and
 - b. Providing the necessary information where CESIG support is being sought.
- 11.3.8 All AS DFOs and Departments are responsible for:
- a. Ensuring that their AS activities are consistent with IFC's social and environmental principles and do not support activities that contravene IFC's Exclusion List;
 - b. Determining whether the activities that are being supported by the AS have potential S&E impacts. Where there are potential S&E impacts, this entails:
 - b.1 Ensuring that the activities are in compliance with applicable national laws and regulations;
 - b.2 Referencing the IFC PS to ensure that the activities being supported do not pose a significant reputation risk to IFC, especially in cases where:
 - b.2.1 The AS is associated with support or development of a large project or business; or
 - b.2.2 The AS is supporting the creation of an asset with significant potential S&E impacts.
 - c. Seeking to raise awareness of the benefits of good environment and social development performance in local institutions, especially in activities that involve training and capacity building.

- 11.3.9 The Portfolio Officer is responsible:
 - a. N/A.
- 11.3.10 The Portfolio Manager is responsible for:
 - a. N/A.
- 11.3.11 The Director CES is responsible for:
 - a. N/A.
- 11.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
 - a. N/A.
- 11.3.13 The VP Industry is responsible for:
 - a. N/A.

11.4 Records and Documentation

- 11.4.1 CESIG will maintain the following documentation in connection with this procedure:
 - a. A record of the communication of the applicable performance requirements to the DFO or Department managing the AS project; and
 - b. Records of any additional support provided by CESIG.

11.5 Annexes

- 11.5.1 For IFC-Managed AS.

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

- d. Ensuring that their AS activities are consistent with IFC's environmental and social principles and do not support activities that contravene IFC's Exclusion List;
- e. Determining whether the activities that are being supported by the AS have potential E&S impacts. Where there are potential E&S impacts, this entails:
 - b.1 Ensuring that the activities are in compliance with applicable national laws and regulations;
 - b.2 Referencing the IFC PS to ensure that the activities being supported do not pose a significant reputation risk to IFC, especially in cases where:
 - b.2.1 The AS is associated with support or development of a large project or business; or
 - b.2.2 The AS is supporting the creation of an asset with significant potential E&S impacts.

- f. Seeking to raise awareness of the benefits of good environment and social development performance in local institutions, especially in activities that involve training and capacity building.

12 MAINTENANCE AND UPDATE OF IFC S&E REVIEW PROCEDURES

12.1 Purpose and Applicability

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

12.1.2 These procedures specify how the social and environmental specialists are expected to review projects for consistency with IFC's Social and Environmental Sustainability Policy and document the client's compliance with the Performance Standards and guidelines throughout the life of the investment.

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

12.2 Procedures

12.2.1 Any IFC staff may suggest new or revised ESRPs to enhance precision of investment review and documentation of client performance. Suggested new or modified ESRPs should be submitted to the Manager CESIG using the additions and modification form as per format 12.5.1 or in any other format.

12.2.2 Any accepted changes will be communicated to CESIG staff to ensure consistency. The Manager CESIG will update the ESRP modification or addition request log, and establish a completion date for the proposed revision, and designate a principal author for drafts of the new or modified ESRP until the revision is complete and approved by Manager CESIG.

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

12.2.4 The proposed new ESRP or existing ESRP modification will be reviewed by a core team of staff identified by the Manager CESIG, checking for:

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

12.2.5 When the Manager CESIG is in agreement with the new or revised ESRP, the ESRP will be submitted for review by the Director CES.

12.2.6 The Director CES will approve the procedure or return it to the Manager CESIG for further processing, including, in the case of material changes or updates, external review, to ensure that the proposed procedure is consistent with IFC's Social and

Environmental Sustainability Policy and, documentation of the IFC client's compliance with the Performance Standards.

12.2.7 When deemed completed and when satisfied that no further changes or review are required, the Director CES will approve the ESRP in writing as per 12.5.3.

12.2.8 The approved ESRP and updated Revision Number will be introduced to the authorized procedure list thereby superseding or modifying existing ESRPs as the case warrants. Revision numbers will be utilized to clearly document current ESRP.

12.2.9 The Manager CESIG will maintain a record of current Revision Numbers of all ESRPs that have been approved, the changes that have been made, and the date on which they are put into effect. Each subsequent Revision, will include a visual designation clearly identifying text modifications and amendments that have been made to individual ESRPs since the previous Revision Number, including the date on which these modifications or addition became effective.

12.2.10 The Manager CESIG, through the CES Director, will inform IEG, CAO, and the Director Investment and Regional Department of the new or modified ESRPs, highlighting the changes that have been made and the date the new version became effective. CESIG Quality Assurance and the Manager CESIG will ensure that the updated ESRP is posted on IFC's Web site, with a notice describing the date on which the version became effective and the changes that have been made.

12.3 Responsibilities

12.3.1 The Transaction Leader is responsible for:

- a. N/A.

12.3.2 The Lead Specialist is responsible for:

- a. Suggesting new or revised ESRPs to enhance precision of investment review and documentation of client performance.

12.3.3 The ACS is responsible for:

- a. N/A.

12.3.4 The Team Leader is responsible for:

- a. Identifying any new or revised ESRPs that may be needed to ensure consistency of investment review activities, compliance with the Social and Environmental Sustainability Policy.

12.3.5 The Manager CESIG is responsible for:

- a. Developing, distributing, and maintaining the procedures for issuance; and

- b. Identifying any new or revised ESRPs that may be needed to ensure consistency of investment review activities, compliance with the Social and Environmental Sustainability Policy.

12.3.6 The AS officer is responsible for:

- a. N/A.

12.3.7 The Manager of AS is responsible for:

- a. N/A.

12.3.8 All AS DFOs and Departments are responsible for:

- a. N/A.

12.3.9 The Portfolio Officer is responsible:

- a. N/A.

12.3.10 The Portfolio Manager is responsible for:

- a. N/A.

12.3.11 The Director CES is responsible for:

- a. Approving in writing the procedures for issuance as per format Annex 12.5.3.

12.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:

- a. N/A.

12.3.13 The VP Industry is responsible for:

- a. N/A.

12.4 Records and Documentation

12.4.1 Procedure addition or modification request as per specified format 12.5.1

12.4.2 IFC Procedures as per the specified format 12.5.4

12.5 Annexes

12.5.1 ESRP Addition or Modification Form

Date	
Requested by	
Procedure Number and Section (e.g. 1.2.5, etc)	
Current Revision Number	
Suggested Text Revision	
Objective Of Modificaiton	
Status of Suggested Modiciation	Date Proposed: How Resolved: Date Resolved:

12.5.2 Format for IFC ESRPs

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

#.1 Purpose and Applicability

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

#.2 Procedure

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

#.3 Responsibilities

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

#.4 Records and Documentation

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

#.5 Annexes

This sections contains templates and formats that expand on specific steps in the procedure. Each Annex shall have an individual designation (e.g. Annex A; Annex B; etc.) to create a separate section for proposed attachments to the procedure. Annexes are to be used to illustrate management-approved formats and content for specific documentation utilized in CESIG investment review activities. Annexes should be designed and incorporated to maintain simplicity in the procedure document and to provide needed illustrations or details independent of the main text to aid the CESIG specialist in understanding the specifics of the procedure.

12.5.3 Writing Approval from the Director of CES

IFC E&S REVIEW PROCEDURES

Version X.0
Month/Day/Year

Approved: _____

Rachel Kyte, Director CES

Date:

Page x of x total