

External Review: IFC/MIGA Update of Non-policy Actions

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

2. As industry leaders for environmental and social (E&S) standards for international financial institutions working with the private sector, IFC and MIGA are continuously enhancing their approach to assessment and management of E&S risks and impacts. The ER recommendations reinforced initiatives that were already underway, and the 26 recommendations that focused on IFC and MIGA practices have been incorporated into these ongoing initiatives.

3. IFC/MIGA delivered a plan and schedule for action items to the IFC/MIGA boards—with most scheduled to be completed by the end of FY22. A summary of actions underway are as follows:

- A. *Improving systems and procedures, including Environmental and Social Review Procedures (ESRP)* – revamping the Environmental and Social Review Procedures (ESRP), which describe how IFC/MIGA conduct their E&S due diligence and supervision, for greater effectiveness and efficiency; systems-level and capacity-building adjustments, including the Sustainability Rating Tool (SRT) – the first sustainability rating system to use Performance Standards as the basis for evaluation; as well as an artificial intelligence tool, MALENA, to support E&S due diligence, both of which are currently in the testing phase. IFC is also developing a learning and certification program for IFC/MIGA E&S specialists. (ER para 96-100, 352)
- B. *Enhancing project-level grievance mechanisms to better handle complaints at an earlier stage* – strengthening client grievance mechanisms (GMs) and stakeholder engagement activities, through a GM portfolio audit, guidance notes, capacity development of clients, and training (ER para 359, 365, 370)
- C. *Strengthening how IFC/MIGA handle CAO and non-CAO complaints* – Established and strengthened the IFC Stakeholder and Grievance Response (SGR) function to proactively engage with both CAO and non-CAO complaints; roll-out training to IFC/MIGA project teams and set up a complaints tracking system. (ER para 359, 370, 236, 267),
- D. *Clarifying IFC application of E&S requirements for financial intermediaries (FIs)* – updating procedures to clarify the application of the Performance Standards to sub-projects by FI clients and IFC supervision of such sub-projects. Introducing a web based Environmental and Social Management System (ESMS) diagnostic tool to help analyze ESMS's quality and identify gaps; implementing additional disclosure requirements; expanding FI monitoring capacity and enhanced supervision of FI projects (ER para 128, 129, 220)
- E. *Providing greater clarity on criteria related to supply chains* – Improve understanding of 'primary supplier' through clear guidance in the form of tip sheets, guidance notes and training to staff (ER para 223)
- F. *Mainstreaming contextual risk assessment in due diligence and supervision* –Rolling out a framework for contextual risk assessment, and provision of further training and engagement with clients on these issues as well as developing a Contextual Risk Good Practice Note (ER para 99)
- G. *MIGA-specific areas* – to enhance efforts to share learning on E&S issues with clients, and consider creating a team similar to IFC's SGR function, scaled for MIGA, as appropriate (ER para 352, 370)