

Follow up letter from CSOs on IFC Sustainability Framework review

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To: Justin Pooley, Principal Specialist, Environmental and Social

cc:

Federico Galizia, IFC Vice President Risk and Finance

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Emmanuel Boulet, Head of the Stakeholder Grievance Response unit

Maria Carolina Hoyos Lievano, Senior Operations Officer

Dear Justin and team,

We are writing regarding our ongoing engagement on the review of IFC's Sustainability Framework. We would like to acknowledge the progress made so far, respond to some of the 'Key Considerations' raised in IFC's [Approach Paper](#), and highlight several areas where we believe further discussion is needed.

Firstly, we would like to welcome IFC's openness to engaging CSOs and Indigenous Peoples organisations and taking on feedback so far, both at the World Bank Spring Meetings and during the online meeting in February. We believe that the facilitation of these meetings has worked well, and we have found IFC staff to be clear and open in their responses. In the Approach Paper and [Stakeholder Consultation Framework](#) published in April, we can see areas where IFC has heard and addressed CSO concerns with the process, which is welcome. We were also pleased to hear that IFC is taking stakeholder engagement seriously, and appreciate IFC following up in the form of a Stakeholder Engagement survey to gauge opinions on subjects for more technical, deep-dive discussions. It has been refreshing to see IFC's openness and willingness to engage, and we hope it continues throughout the review.

We would like to address several things in response to the 'Key Considerations for the Sustainability Framework Update' outlined in the Approach Paper.

a. One World Bank Group

To begin, as IFC seeks to align its Sustainability Framework with the "One World Bank Group" approach, including the World Bank's Environmental and Social Framework (ESF), IFC should strive to integrate positive lessons from the World Bank's public sector lending, particularly the implementation of its ESF. By contrast, we consistently see IFC's due diligence and supervision [fall short](#) in supporting its clients in implementing the Performance Standards, which require that projects avoid harm to people and the environment. We welcome IFC's initiative to streamline processes to reduce confusion or duplication, align requirements on thematic issue areas, standardise disclosure practices and terminology, and clarify points of contact. IFC should also view these efforts as an opportunity to harmonise upward and learn lessons from the progress made in the World Bank's ESF (such as the strengthened protections for "disadvantaged and vulnerable" groups). At the same time, however, we caution that aligning the Performance Standards with the ESF should be seen as a floor, not a ceiling on the coverage and application of the updated Sustainability Framework.

b. Harmonization of E&S Standards

The E&S standards set by the IFC years ago were adopted and relied upon by other MDBs, DFIs, ECAs, and private sector institutions, who have built on them over time. As organisations participating in many of these policy reviews, we recognise IFC's commitment to harmonising E&S standards with other standard-setters, particularly MDBs. We would note that, while many MDB safeguards have continued to evolve, there remains a gap between MDB policy and international standards and best practices. Therefore, we call on the IFC to include upward alignment with international human rights standards, as well as the private sector initiatives that incorporate those standards, and including relevant standards relating to human rights and environmental defenders, to achieve the highest possible environmental and social standards in its new Sustainability Framework.¹ We urge the IFC to incorporate, among other standards, the UN Guiding Principles on Business and Human Rights, including the commitment for investors to provide remedy if they have caused or contributed to adverse rights impacts. Our organisations will be submitting specific recommendations on necessary changes to ensure alignment with international law standards as part of the consultation process.

c. Principle of No Regression

Once environmental and social standards have been set, they should not be weakened or reversed; this is at the core of the principle of no regression. The IFC was ahead of its time when it introduced its Performance Standards years ago; today, we applaud its commitment to improving and modernising standards during this review. Yet CSOs are concerned with the intimation that harmonisation may weaken the current environmental and social standards at the IFC. For example, we are concerned that attempts to harmonise standards across MDBs regarding Free, Prior and Informed Consent for Indigenous Peoples could result in IFC weakening the current provisions in the Performance Standards to align with other institutions. We strongly urge the IFC to commit to the principle of no regression, guaranteeing that environmental and social safeguards are protected and only strengthened during this review process.

d. Financial Intermediaries

We welcome the clarifications from IFC on the relationship between the IFC's Sustainability Framework and World Bank's ESF, and on the involvement of MIGA in the current process (to produce a set of safeguards that covers the World Bank Group's private sector arms). However, we are also concerned by intimations that some private sector projects, such as financial intermediary (FI) investments, require a differentiated approach and for other, potentially weaker, safeguards to be applied. CSOs have engaged with IFC over a number of years on IFC's failure to implement its Sustainability Framework in the case of [FI investments](#), and the [harms arising](#) from these cases. IFC has made some progress in changing its approach through the introduction of updated [Guidance Notes](#) on FI lending in recent years. We therefore strongly urge IFC to use the update to integrate the improved measures for risk classification and disclosure into the Sustainability Framework, and to improve its ability to retain leverage with FI clients and implement the Sustainability Framework down the investment chain, to ensure that FI investments are held to the same standard of environmental and social safeguards as direct investments.

¹ Standards embedded in the [World Benchmarking Alliance](https://assets.worldbenchmarkingalliance.org/app/uploads/2024/06/WBA-Social-Benchmark-Scoring-Guidelines-2024.pdf) may be useful in this regard. See, e.g., on social issues, <https://assets.worldbenchmarkingalliance.org/app/uploads/2024/06/WBA-Social-Benchmark-Scoring-Guidelines-2024.pdf>, or on climate <https://actinitiative.org/wp-content/uploads/pdf/act-core-methodology.pdf>.

e. Mutual Reliance

The Approach Paper also raises “mutual reliance agreements among MDBs” as another key consideration for the review. While increasing coordination between MDBs and coherence between policies does make sense and can reduce the burden on borrowers, civil society has [raised concerns](#) over the impact of mutual reliance on accountability mechanisms. Under the recent [Full Mutual Reliance Framework](#) agreed between the World Bank and Asian Development Bank, access to accountability has been restricted for project-affected communities. The terms of the Framework state that complainants may only approach the accountability mechanism of the lead financier, regardless of whether its policies are weaker than the trail financier’s. In the case of the World Bank and ADB, for example, if the World Bank is the lead financier, complainants have only 15 months after project completion to approach the accountability mechanism; whereas at the ADB’s accountability mechanism, they would have two years. On the other hand, if the ADB was the lead, its accountability mechanism has much more stringent requirements than the World Bank AM for ‘good faith’ engagement for complaints to be eligible (such that only 31 of 383 complaints have been [judged eligible](#)). Such differences matter hugely for project-affected people, who already face barriers in having their voices heard and in seeking remedy for the harms they have suffered. In its mutual reliance framework with the European Investment Bank, the European Bank for Reconstruction and Development included a guarantee, at the urging of their respective accountability mechanisms, not to derogate from the rights of complainants. In the Approach Paper, IFC commits to bolstering accountability. We would therefore urge the IFC to tread carefully when looking into mutual reliance - to focus on upward harmonisation of standards, and to avoid imposing any changes to the powers of accountability mechanisms.

f. Remedial Action Framework and Responsible Exit Principles

After decades of advocacy, CSOs have welcomed the IFC’s adoption of its Responsible Exit Principles and Remedial Action Framework, marking the first explicit MDB policy to acknowledge its role in providing remedy when it has contributed to harm. The IFC is returning to its leadership role by setting a core standard for environmental and social policies in development finance. We encourage the IFC to continue its leadership by incorporating remedy and responsible exit in the Sustainability Framework Update. When IFC’s E&S due diligence at project appraisal is done properly, the mitigation hierarchy is applied correctly, and supervision and regular monitoring during project implementation are carried out entirely, the Performance Standards can play a crucial role in the development process, helping to avoid or minimise adverse impacts to the environment and preventing harm to people. However, when IFC fails to supervise and monitor its client properly, or when initial due diligence is lacking, or it neglects to notice a low-capacity client, then the risks are likely to materialise, causing harm and increasing the reputational risks for the client and the financier. The incorporation of remedy and responsible exit principles in the Sustainability Framework would further solidify the World Bank Group’s commitment to environmental and social accountability and remedy.

g. Timely Disclosure of Information for Meaningful Engagement

While we acknowledge the substantial time currently allotted in IFC’s plans to publishing and receiving feedback on draft versions of the updated Sustainability Framework, CSOs request that the final draft is also disclosed publicly before being discussed by the Board for approval (as was done by the Asian Development Bank during the drafting of its Environmental and Social Framework). The World Bank’s *Access to Information: Staff Handbook* states that World Bank documents can be simultaneously disclosed to the public and the Board, before Board

approval, if the Board provides written approval of the disclosure.² We consider the disclosure of this final draft to be best practice regarding transparency and strongly urge IFC to amend the current project timeline to reflect this.

We also request that IFC provide, at minimum, a 90-day period for consultations and submissions on drafts from the date of announcing their public disclosure.

h. Consultation Process

CSOs have recommended that IFC consult with project-affected communities throughout the review of its Sustainability Framework, and welcome the inclusion of project-affected communities in the Stakeholder Consultation Framework. However, under the current plan, project-affected communities will be targeted only during the broad Public Consultation Phase, following the release of the first draft, but not during the initial Dialogue Phase. We urge IFC to consider how the Dialogue Phase can also include and target the perspectives of communities who have been directly affected by IFC projects. Seeking this engagement is particularly important in the absence of a comprehensive independent review of the Sustainability Framework policies and implementation, which IFC has shared will not occur. Communities that experienced flaws and gaps in IFC's policies, or their implementation, have an invaluable perspective to share in the early stages of the Sustainability Framework review. We encourage IFC to reach out to project-affected communities early in the consultation process, ideally during the Dialogue Phase, in conjunction with the CAO and/or civil society organisations that support complainants in CAO cases. IFC should also engage CSOs and communities who have experienced harm whose complaints were deemed ineligible, due to gaps in the Sustainability Framework.

i. Other Topics for Critical Discussion

Finally, we have received and responded to the Stakeholder Engagement survey sent out by IFC, which seeks to gauge CSO interest in participating in deep-dive technical discussions on different themes. However, we note that some critical topics that are already reflected in the existing Performance Standards, such as land acquisition and resettlement, and issues relating to the assessment of E&S impacts, are not included in this list. In addition to the topics listed in the survey, these discussions should cover the following topics that are deemed of urgent importance by the signatories to this letter: informed community and stakeholder engagement, land acquisition and expropriation/physical and economic displacement, civic space and reprisals, transition mineral industries, how the Sustainability Framework can better give effect to IFC's new approaches to remedy and responsible exit, the rights of people with disabilities, agriculture and food, animal welfare, investments in essential/public services.

We look forward to discussing this further with you soon.

Yours sincerely,

² World Bank. (2010). *Access to Information: Staff Handbook*, p.18.
<https://thedocs.worldbank.org/en/doc/7018553144d00fc92c366918df5a1560-0090012010/original/Access-to-Information-Handbook.pdf>.

1. Accountability Counsel
2. Arab Watch Coalition
3. Asia Indigenous Peoples Network on Extractive Industries and Energy (AIPNEE)
4. Association for Farmers Rights Defense, AFRD
5. Association Tunisienne de Droit de Développement
6. Association Tunisienne de Gouvernance Locale
7. ATED
8. ATDD
9. Bank Climate Advocates
10. Bank Information Center
11. BankTrack
12. Bio Vision Africa (BiVA)
13. Bretton Woods Project
14. Business & Human Rights Resource Centre
15. CDRT
16. CEE Bankwatch Network
17. Center for International Environmental Law (CIEL)
18. Derecho, Ambiente y Recursos Naturales - DAR
19. Centre de développement de la région de Tensift
20. Community Empowerment and Social Justice Network (CEMSOJ)
21. Compassion in World Farming International
22. Cultural Survival
23. Earthworks
24. Fair Finance International
25. Forest Peoples Programme
26. Fundación Ambiente y Recursos Naturales - FARN

27. Fundación CAUCE: Cultura Ambiental - Causa Ecologista
28. Fundeps
29. GAIA Asia Pacific
30. Gender Action
31. Green Advocates International
32. Inclusive Development International
33. Industrious Labs
34. International Rivers
35. Jamaa Resource Initiatives
36. JUHUDI Community Support Center
37. Lebanon Eco-Mouvement
38. London Mining Network
39. MENAFem Movement
40. NGO Forum on ADB
41. NomoGaia
42. Oil Workers' Rights Protection Organization Public Union
43. Oxfam
44. Oyu Tolgoi Watch
45. Peace Point Development Foundation-PPDF
46. Recourse
47. Rivers without Boundaries Coalition
48. SIRGE Coalition
49. Stop Financing Factory Farming
50. Transparentem
51. Trend Asia
52. Urgewald
53. Uzbek Forum for Human Rights
54. Wedyan Association For Society Development
55. Wemos
56. World Animal Protection
57. Yemeni observatory for Human Rights