The International Finance Corporation's Sustainability Framework

An Independent Evaluation

IEG
Independent Evaluation Group

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An Independent Evaluation

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Contents

Boxes

Figures

Appendixes

Abbreviations

ADB	Asian Development Bank
CAO	Office of the Compliance Advisor Ombudsman
CSO	civil society organization
DFI	development finance institution
E&S	environmental and social
EBRD	European Bank for Reconstruction and Development
ESAP	Environmental and Social Action Plan
ESF	Environmental and Social Framework
ESMS	environmental and social management system
ESRR	environmental and social risk rating
GBV	gender-based violence
GRM	grievance redress mechanism
IEG	Independent Evaluation Group
IFC	International Finance Corporation
MDB	multilateral development bank
SEAH	sexual exploitation, abuse, and harassment

All dollar amounts are US dollars unless otherwise indicated.

Acknowledgments

This report was prepared by an Independent Evaluation Group team led by Rasmus Heltberg (lead evaluation officer) and Maria Elena Pinglo (senior evaluation officer) under the guidance of Penelope Jackson-Vougo (manager) and Carmen Nonay (director), with the overall guidance of Sabine Bernabè (Director General, Evaluation).

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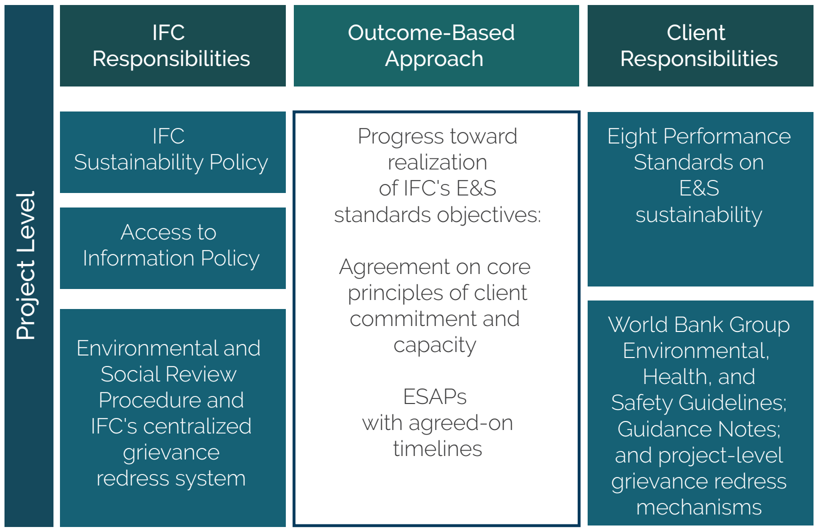
Overview

The Sustainability Framework of the International Finance Corporation (IFC) is the cornerstone of the World Bank Group's approach to managing environmental and social (E&S) risks in private sector operations. The Sustainability Framework defines IFC's and clients' responsibilities and guides E&S risk management across advisory and investment operations (figure O.1). It also serves as the reference framework for Multilateral Investment Guarantee Agency–supported guarantees. Its eight Performance Standards define clients' responsibilities: (i) Assessment and Management of E&S Risks and Impacts; (ii) Labor and Working Conditions; (iii) Resource Efficiency and Pollution Prevention; (iv) Community Health, Safety, and Security; (v) Land Acquisition and Involuntary Resettlement; (vi) Biodiversity Conservation and Sustainable Management of Living Natural Resources; (vii) Indigenous Peoples; and (viii) Cultural Heritage.

The Sustainability Framework initially positioned IFC as a global leader, setting an industry benchmark that influenced other multilateral development banks and shaped global finance through the Equator Principles. Over time, however, some peer institutions have updated their frameworks, and IFC's framework has not kept pace in several areas of the evolving global E&S landscape. At the same time, the framework has remained effective in many respects, contributing to the professionalization of E&S risk management and to improvements in client performance, with most projects achieving satisfactory E&S performance. This evaluation finds that the framework's effectiveness is increasingly constrained by a combination of implementation challenges and gaps in selected areas of the Performance Standards, particularly as IFC's business model, financing instruments, and risk profile have evolved. Strengthening effectiveness will require addressing both gaps in the standards and persistent challenges in implementation.

Figure O.1. Sustainability Framework and Related Operational Components



Source: Independent Evaluation Group, based on IFC's Sustainability Framework and related training materials.

Note: E&S = environmental and social; ESAP = Environmental and Social Action Plan; IFC = International Finance Corporation.

Although IFC's portfolio has become more varied across instruments, clients, and operating environments over time, its framework has not kept pace in all areas with those of comparable institutions. Increased use of equity investments, corporate lending, capital markets instruments, and financial intermediaries makes it more complex to apply E&S requirements consistently in projects with diffuse boundaries and more limited IFC leverage. At the same time, emerging E&S risks and rising stakeholder expectations have prompted peer institutions to update and expand their frameworks. Comparison with the World Bank's Environmental and Social Framework (ESF) and similar frameworks from other multilateral development banks highlights differences in areas such as stakeholder engagement, disclosure, and the treatment of social risks, where peers have moved toward more explicit and systematized requirements. The evaluation highlights the trade-offs IFC encounters as it pursues portfolio growth across a wider range of instruments while maintaining the credibility and effectiveness of the Sustainability Framework.

The findings point to the need for stronger, earlier, and more sustained E&S engagement, particularly in higher-risk projects and those where IFC's leverage is more limited. This requires alignment of portfolio growth with differentiated E&S oversight and careful application of adaptive approaches in more complex contexts.

Accountability risks for E&S issues can persist regardless of whether all issues are explicitly reflected in policy, particularly where outcomes depend on implementation, client capacity, and supervision. In this context, greater clarity within the Sustainability Framework, especially in relation to complex social risks and implementation practices, can support more consistent application of requirements while enabling robust and responsible risk-taking.

Evaluation Scope, Questions, and Methods

The Independent Evaluation Group (IEG) conducted this evaluation to identify lessons relevant to IFC's planned update of its Sustainability Framework. The evaluation, therefore, adopts a focused scope, prioritizing the aspects of the framework and its implementation that matter most for decisions on future directions. Conducted in coordination with IEG's evaluation of the World Bank's ESF, the evaluation examines implementation, performance, and outcomes of IFC investment projects approved under the 2012 version of the Sustainability Framework from multiple perspectives. It addresses three core questions: (i) To what extent has the Sustainability Framework been effectively implemented and met IFC's evolving business needs? (ii) To what extent have E&S outcomes been tracked and achieved? (iii) What are the risks and opportunities for IFC in aligning and harmonizing E&S frameworks with the World Bank and other multilateral development banks? Specifically, the evaluation defines *fit for purpose* as the framework's relevance, clarity, and practicality, considering IFC's evolving business model and E&S risk landscape; *performance* as the effectiveness of IFC and client implementation, including due diligence, supervision, monitoring, and learning; and *outcomes* as the E&S results achieved by IFC-supported projects over time. The evaluation does not assess recently introduced approaches such as the Remedial Action Framework and the Responsible Exit approach, which were considered too recent for meaningful evaluation, but notes that both are under active discussion at the time that this evaluation was written.

The evaluation applies a mixed methods design that draws on a wide range of quantitative and qualitative evidence. It combines statistical analysis of IEG-validated E&S performance ratings with IFC portfolio, monitoring, and staffing data, alongside qualitative evidence from project validations, evaluations, interviews, and in-depth case studies. The team conducted field visits to five of IFC's regional hubs and developed client case studies across eight countries, complementing interviews with IFC staff, clients, and external stakeholders. This approach enabled a portfolio-wide assessment while grounding the analysis in a project-level and country-level experience, supported by targeted reviews and triangulation across multiple data sources.

Evaluation Main Findings

IFC's Sustainability Framework has contributed to improvements in E&S performance across diverse projects and markets, but implementation gaps remain. Project-level E&S performance has improved over time, particularly in areas where IFC E&S staff provided early and sustained support, supported by evolving guidance and implementation arrangements.
At the same time, the framework is not fully up to date for some key E&S risks and is less well suited to certain nontraditional financing modalities. Moreover, implementation challenges persist. Although the majority of projects achieve satisfactory E&S performance at "maturity"—about five to seven years after approval—one-quarter of the projects continue to face challenges in fully meeting agreed Environmental and Social Action Plan (ESAP) commitments, indicating variability in implementation across the portfolio. In addition, incomplete or delayed client reporting—particularly for complex social risks—can limit the ability to verify compliance in some projects. These gaps affect assurance and learning and may weaken the durability of improvements over time. Combined with the framework's partial misalignment with aspects of IFC's evolving business model, these challenges are associated with a tendency toward more cautious engagement in higher-risk operations, which affects the framework's role in supporting investment in more challenging contexts where development outcomes may be substantial.

Fit for Purpose

While IFC's Performance Standards continue to provide a solid foundation, peer institutions have updated and codified requirements in some areas to address evolving risks. The Sustainability Framework, while previously at the vanguard, is less up to date than some peer frameworks in areas such as gender-based violence (GBV), stakeholder engagement, grievance management, and the treatment of vulnerable groups. Because the framework was last updated in 2012, peers have since incorporated more explicit and binding requirements into their standards in these and other areas, while IFC has addressed many of these issues through guidance and implementation practices. Notwithstanding these differences, the framework continues to support effective E&S risk management in many projects, as reflected in generally positive perceptions of IFC's E&S work among clients and peers and in improving E&S performance over time.

The Performance Standards have areas where social risks are addressed less explicitly. In practice, social issues account for a substantial share of referrals to accountability mechanisms, including cases involving GBV, labor, and community engagement. These cases have prompted IFC responses through a combination of guidance and implementation measures, including procedures, legal agreements, and supervision practices, rather than through changes to the Performance Standards themselves. IFC has made progress in addressing GBV through guidance and implementation measures, but application across the portfolio remains uneven. Similarly, IFC's framework gives less prominence to stakeholder engagement and transparency than some peer frameworks, where dedicated standards on stakeholder engagement and information disclosure have been adopted.

The Sustainability Framework is more readily applied to investments with a defined use of proceeds, including traditional project finance and fund investments. In such transactions, Performance Standard requirements are generally easier for clients and IFC to interpret and apply, the scope and proportionality of requirements can be determined more clearly at appraisal, and monitoring of clients' ESAP implementation is more straightforward. Fund clients are also typically well positioned to apply requirements, given more developed E&S management systems at appraisal, access to international E&S expertise, and closer alignment with international environmental, social, and governance practices, all of which support stronger performance.

However, the Sustainability Framework has become more difficult for staff and clients to apply consistently, as IFC's business has shifted toward instruments with a less-defined use of proceeds. IFC's expanding use of equity investments, corporate finance, capital market instruments, and financial intermediary operations creates situations in which requirements can be more difficult to interpret, scope, and apply. Equity and corporate clients face challenges in translating requirements into concrete, time-bound ESAP actions and embedding them consistently across their operations, value chains, and supply chains, which can make implementation and supervision more complex in practice. Monitoring is more challenging in financial intermediary operations because IFC relies on client systems and reporting and typically has limited access to subproject information. These factors can limit visibility over downstream activities. As a result, these business shifts have made the consistent application of the Sustainability Framework across IFC's more diverse portfolio more dependent on differentiated approaches and staff judgment and, in some cases, may contribute to more cautious engagement in higher-risk or more complex contexts.

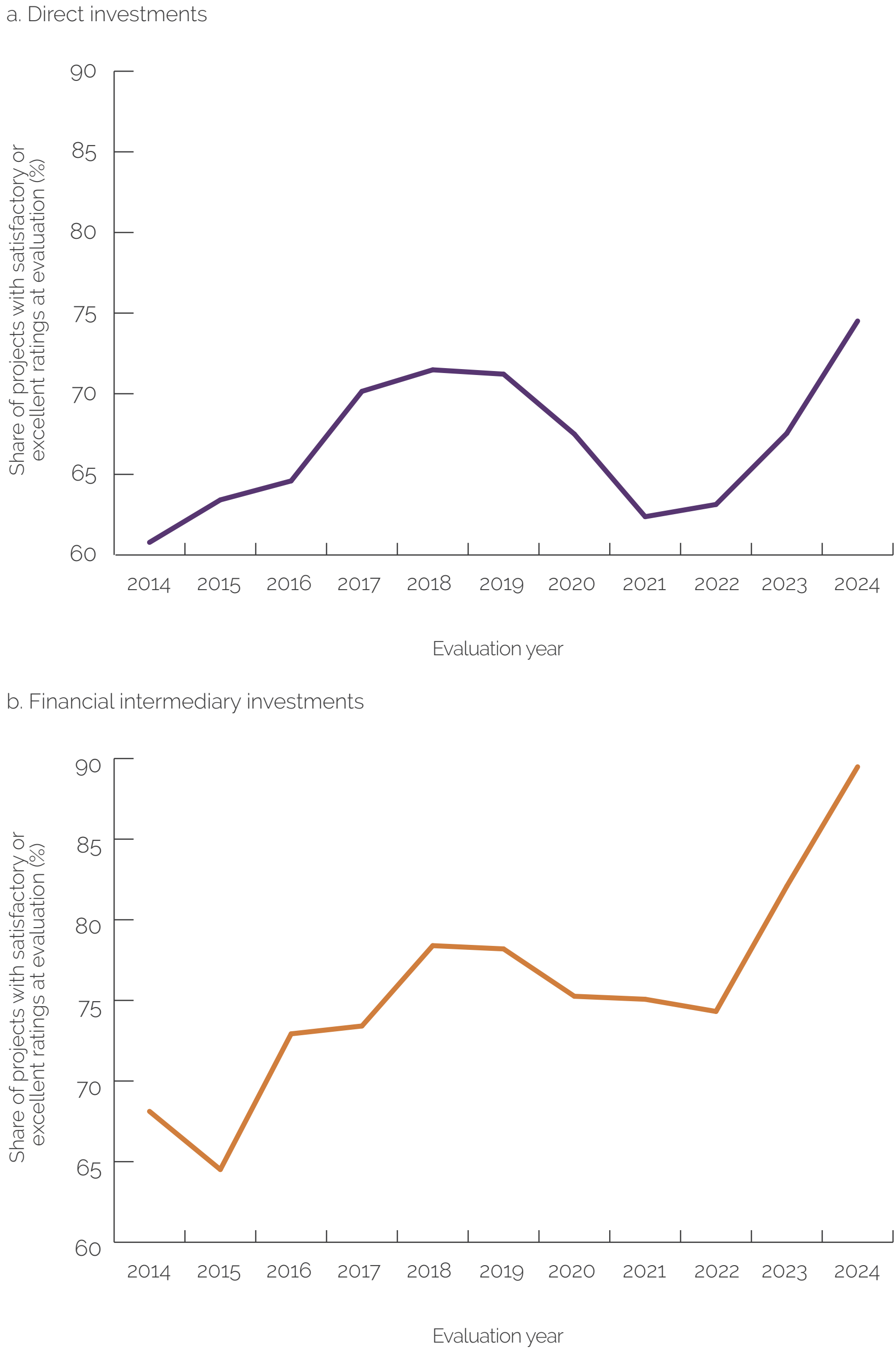
In financial intermediary operations, IFC manages these constraints through ring-fencing, which enables targeted application of requirements but introduces limits to oversight. Ring-fencing refers to limiting the application of Performance Standard requirements to defined asset classes. While this approach facilitates the application of E&S requirements at the transaction level and can support improvements in client systems within the scope of IFC-financed activities, its contribution to broader, institution-wide E&S capacity can vary. IFC's role focuses on assessing and supervising the effectiveness of client systems rather than verifying performance at the individual subproject level. In this context, ring-fencing may help contain IFC's direct accountability and legal exposure, but it provides only partial protection against reputational risk, particularly when a financial intermediary client supports controversial subprojects outside of the ring-fenced portion of its portfolio.

In jointly financed operations, IFC typically maintains independent E&S oversight rather than relying on other lenders' reviews, reflecting its approach to applying the Performance Standards in appraisal and supervision. This approach can strengthen assurance through consistent application of requirements and aligns with IFC's emphasis on rigorous application of the Performance Standards, but it can also lead to some duplication—particularly where IFC and the World Bank apply both the Performance Standards and the ESF—and increase administrative demands for clients and staff. While clients generally recognize the medium-term benefits of IFC's E&S engagement, some perceive implementation requirements as complex or procedurally demanding, particularly in cofinanced projects where coordination mechanisms may be project-specific and roles and responsibilities are not always clearly defined.

Performance and Outcomes

Most IFC-financed projects achieve satisfactory E&S performance, but a meaningful share of projects continue to experience implementation challenges. IEG rated 68 percent of direct investments and 82.5 percent of financial intermediary projects satisfactory or better on E&S performance. These ratings have improved over the evaluation period, as illustrated in figure O.2. Figure O.3 shows that IFC involvement coincides with improvements in E&S performance in most projects, but about one-quarter of direct investment projects show partly unsatisfactory or unsatisfactory implementation of agreed ESAP tasks, and about 4 percent are rated unsatisfactory on E&S performance. Lapses in wastewater management and occupational health and safety measures are among the most common types of shortfalls. In addition, incomplete or delayed client reporting—particularly for complex social risks—can limit IFC's ability to verify compliance in a nontrivial share of projects.

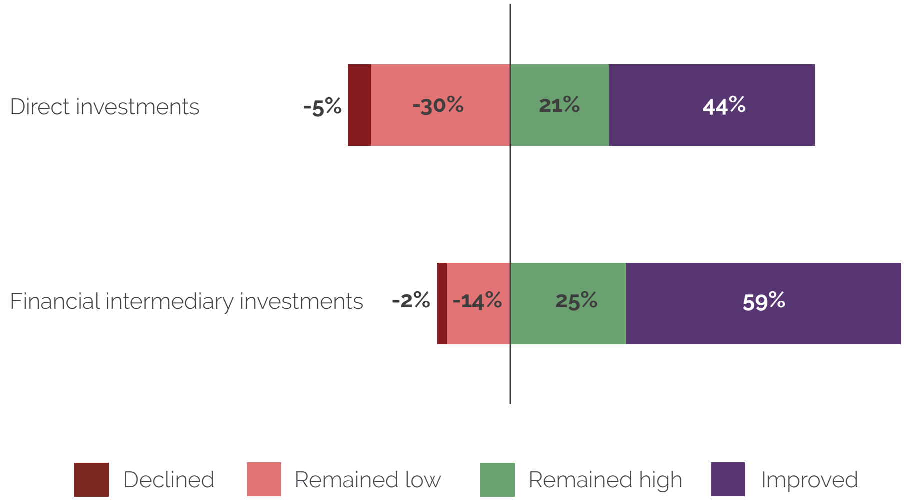
Figure O.2. E&S Performance Has Improved



Source: Independent Evaluation Group.

Note: Rating methodologies differ between direct investment and financial intermediary investments. Panels should not be read as directly comparable. The projects were assessed at maturity, using three-year rolling averages and the sample of 40 percent. Financial intermediary projects encompass financial market transactions and funds. E&S = environmental and social.

Figure O.3. Many Projects Improve E&S Performance as IFC Engages, but Some Do Not



Source: Independent Evaluation Group.

Note: The figure demonstrates changes in project environmental and social performance ratings from appraisal to evaluation. Declined = any downward rating change; improved = any upward rating change; remained high = no change from satisfactory or excellent; remained low = no change from unsatisfactory or partly unsatisfactory. E&S = environmental and social; IFC = International Finance Corporation.

E&S performance depends on project context, client capacity, and the quality of IFC's appraisal and supervision. Performance is weakest in the most challenging environments: projects categorized as high E&S risk and those in International Development Association contexts and in countries classified as fragile and conflict-affected situations receive the lowest ratings. While clients are responsible for implementing requirements, shortfalls in E&S performance are closely linked to partial implementation, sometimes compounded by gaps in IFC's monitoring intensity. Conversely, the evaluation shows that sustained, hands-on IFC engagement moves the needle: projects rated positively on IFC's E&S additionality are statistically more likely to achieve strong E&S performance and improve over time. IFC primarily tracks client progress through ESAP implementation but does not systematically track E&S outcomes. Positive outcomes identified through case studies typically arose where risks were identified early, clients integrated E&S measures into project operations, and IFC actively enforced agreed-on actions throughout implementation; conversely, weak implementation of E&S requirements was associated with adverse outcomes in some cases.

Higher ratings for financial intermediary projects partly reflect differences in starting conditions and performance criteria. The rating differences shown in figures O.2 and O.3 do not necessarily indicate consistently stronger underlying E&S performance for financial intermediary projects compared with direct investments. Many financial institutions lack E&S management systems at appraisal, and IFC's requirements and support in establishing these systems are associated with improvements in performance. By contrast, direct investments are subject to more demanding requirements across all eight Performance Standards, which can make improvements more difficult to achieve and sustain. Under the current evaluation criteria, financial intermediary projects can receive positive ratings even where limitations in subproject-level visibility remain—that is, subproject risks may not be fully captured in project-level performance assessments.

The evaluation finds gaps in the information available on financial intermediary subportfolios—the aggregate set of subprojects financed by a financial intermediary. In about one-quarter of high-risk subportfolios, IFC identifies issues in E&S performance or has limited information to assess performance. IFC relies primarily on client systems and reporting, complemented by guidance and supervision. Consistent with the Sustainability Framework, IFC's role focuses on assessing and supervising the effectiveness of client systems rather than verifying performance at the individual subproject level. This focus can result in uneven documentation and limit the ability to assess E&S performance at the subproject level in higher-risk situations. Compared with some peer institutions, IFC's Sustainability Framework provides less-detailed guidance on how subportfolio risks should be identified, monitored, and reported.

Implementation Arrangements

Capacity constraints and variation in client reporting affect IFC's monitoring and adaptive management. IFC has increased its E&S staffing; however, workload intensity, compressed approval timelines, and access to specialized expertise can affect the consistency of E&S due diligence, monitoring, and hands-on client support. IFC applies risk-based supervision in principle, but risk ratings are not always updated in a timely manner or may not fully reflect evolving project risks, and expectations for on-site supervision are not always met. Monitoring delays occur in some cases, including for GBV. IEG validations indicate that gaps in project monitoring are often associated with limited site supervision visits and documentation gaps. While some peer multilateral development banks have formalized differentiated and adaptive supervision approaches, IFC relies to a greater extent on staff judgment and guidance in applying supervision practices. Peers also face similar implementation challenges in translating formal requirements into consistent supervision, monitoring downstream activities, and addressing capacity constraints in higher-risk operations.

Gaps in disclosure and grievance redress mechanisms affect transparency, stakeholder engagement, and assurance of E&S performance. While IFC meets formal disclosure requirements in most cases, particularly at the approval stage, postapproval transparency is weaker, with incomplete or delayed updates on ESAP implementation and emerging risks, especially for financial intermediary projects. As a result, disclosed information does not consistently support tracking of implementation progress or changes in project risk. Worker and community grievance redress mechanisms are widely established, but their implementation and use vary, with limited information available on uptake, responsiveness, and resolution. These issues are more pronounced for complex social risks, including GBV, and can limit IFC's ability to identify problems early, respond effectively, and demonstrate accountability.

In joint projects with the World Bank, IFC has developed practical ways of working together over time, but coordination is still largely based on project-specific arrangements. In the absence of shared tools, harmonized requirements, or clearly defined procedures, collaboration often relies on arrangements agreed to at the project level, which can increase transaction costs for staff and clients, lead to some duplication in E&S processes, and reduce clarity on roles and accountabilities across institutions.

Looking Ahead

IFC's planned portfolio growth—especially through equity investments, corporate finance, and financial intermediaries—creates structural trade-offs that require more deliberate E&S oversight. As IFC expands into instruments with less-defined project boundaries and more indirect leverage, applying E&S requirements consistently can become more complex for clients, particularly in higher-risk settings. This complexity increases the need for stronger, earlier, and more sustained E&S engagement, as well as clear strategic choices by management and the Board of Executive Directors on how to align resources, incentives, leverage, and accountability with a larger and more diverse portfolio while maintaining the credibility and effectiveness of the Sustainability Framework.

Recommendations

The update of IFC's Sustainability Framework comes at a strategic moment for IFC, as it seeks to expand into riskier contexts (including countries affected by fragility, conflict, and violence) and substantially increase the scale of its portfolio by 2030. IFC also needs to enact improvements so that it can maintain its reputation as a standard setter among international financial institutions. Against this backdrop, the evaluation lays out the following four recommendations that have been informed by the main findings.

Recommendation 1: IFC should strengthen implementation of the Sustainability Framework by expanding hands-on E&S support to clients in higher-risk and complex operations and by improving the transparency of its E&S performance and disclosures. As further elaborated in the conclusion, this recommendation includes earlier and more sustained client support. It also includes clearer, more consistent disclosure of E&S information, including delays and progress in implementing ESAP commitments. Delivering on this recommendation will require aligning staffing, expertise, and incentives with the demands of higher-risk operations, including addressing capacity constraints and ensuring adequate coverage across regions and specialized risk areas.

Recommendation 2: IFC should clarify in the Sustainability Policy how accountability between IFC and its clients for E&S performance is to be exercised in financial intermediary and capital market operations, including the extent of IFC's responsibilities for subprojects, and how E&S requirements are applied in operations with indirect or limited visibility and reliance on client systems for monitoring and reporting, consistent with IFC's leverage and access to information. This recommendation should include clarifying the allocation of responsibilities between IFC and clients for subproject-level performance; specifying verification expectations under IFC's monitoring approach in higher-risk transactions or where visibility is limited; and codifying how E&S requirements are applied and overseen across these operations, including IFC's use of client systems, ring-fencing, reporting, and selective validation to support consistent oversight.

Recommendation 3: IFC should strengthen requirements in priority social and transparency areas to address critical gaps in the Sustainability Framework. The ongoing update provides an opportunity to better align policy with how E&S risk management has evolved in practice, particularly for social risks, stakeholder engagement, and grievance management. IFC should clearly define operational requirements in areas where current language relies on broad principles and evolving guidance, including sexual exploitation, abuse, and harassment; child protection; and vulnerable and disadvantaged groups. In addition, IFC should clarify expectations for stakeholder engagement and grievance management across the project cycle, including requirements for meaningful consultation, timely and accessible disclosure, protection against retaliation, and monitoring of grievance use and resolution. Greater clarity in these areas would support more consistent application of requirements in practice.

Recommendation 4: The Bank Group should advance E&S harmonization and address evolving risks by reconciling material differences in E&S standards, requirements, and guidance and embedding adaptive management in the E&S architecture. Specifically, the Bank Group should establish protocols for joint implementation in Bank Group projects, including expanded use of mutual reliance or delegated approaches, and it should clarify how material differences between frameworks are addressed, how accountability for implementation and outcomes is maintained, and how complaints and grievance processes are handled. The Bank Group should also introduce a mechanism for periodic, synchronized updates to the World Bank's ESF and IFC's Sustainability Framework to improve coherence over time, while respecting institutional mandates. This mechanism would not affect the currently ongoing process for updating the IFC Sustainability Framework. Finally, the Bank Group should strengthen adaptive management by moving toward shared analytics and systems and promote learning across regions, sectors, and institutions.

Management Response

Management of the International Finance Corporation (IFC) welcomes the Independent Evaluation Group (IEG) report, *The International Finance Corporation's Sustainability Framework*, and thanks the IEG team for addressing the comments provided. The evaluation is timely and relevant as IFC advances the update of its Sustainability Framework. Management views the report as a valuable input to that process and as an opportunity to further strengthen IFC's leadership, accountability, implementation effectiveness, and transparency in environmental and social (E&S) risk management.

International Finance Corporation

Overall

Management welcomes IEG's findings and agrees that the Sustainability Framework should be modernized to remain fit-for-purpose for IFC's evolving business model and operating context. Management appreciates IEG's recognition of IFC's role in setting global benchmarks for private sector E&S risk management and of progress made in supporting clients' E&S performance across diverse projects and markets, with satisfactory ratings rising from 61 percent to 75 percent for direct investments and from 68 percent to 89 percent for financial intermediary projects over the evaluation period (FY 2012–25). The evaluation covers a period during which IFC operated in increasingly complex markets, expanded its portfolio in fragile and conflict-affected situations (FCS), and increased the use of diverse financial instruments, including in its activities with financial intermediaries and capital market operations. Management therefore welcomes IEG's focus on whether the Sustainability Framework remains fit-for-purpose across project types, financing modalities, geographies, and client capacities. Management agrees on the importance of modernizing and improving the Sustainability Framework to reflect IFC's evolving business and emerging E&S risks.

Management welcomes IEG's finding that the Performance Standards remain a strong foundation, while recognizing the need to codify requirements in certain areas to address evolving risks. Management acknowledges that peer multilateral development banks have introduced important innovations since IFC's last update and appreciates IEG's acknowledgment that IFC has addressed many evolving risks through guidance, implementation practice and client engagement. The Sustainability Framework update provides an opportunity to incorporate elements of this guidance and implementation practice, such as requirements related to gender-based violence, sexual exploitation and abuse and harassment, child safeguarding, stakeholder engagement, grievance management, and other priority areas. Management agrees that codification will improve consistency, clarity, and enforceability, while maintaining the risk-based and proportionate approach needed to support clients across diverse markets and financial products.

Recommendations

Management agrees with recommendation 1, which calls on IFC to strengthen implementation of the Sustainability Framework by expanding hands-on E&S support to clients in higher-risk and complex operations and by improving the transparency of project E&S performance and disclosures. Management recognizes that higher-risk and more complex operations require sustained engagement, adequate specialist capacity, and stronger tools for monitoring implementation. IFC will continue to apply a risk-based, portfoliowide approach, with annual supervision plans informed by project risk, defined indicators, and client performance, while further aligning staffing, skills, and systems with the evolving E&S risk profile of the portfolio. Management will also continue to strengthen upstream engagement and implementation support, including through improved tools and systems. IFC is enhancing the usability of its E&S tools and management systems, including the ESG360 management system, to improve data quality, reduce reporting burden, and enable staff to dedicate more time to client support and E&S risk management. On transparency, management agrees that disclosure of Environmental and Social Action Plan implementation remains an area for improvement. IFC has made significant efforts in recent years to improve compliance and will continue to strengthen disclosure practices across the project cycle, including by providing clearer and more consistent reporting on ESAP implementation status.

Management agrees with recommendation 2, which calls on IFC to clarify in the Sustainability Policy how accountability between IFC and its clients is exercised in financial intermediaries and capital market operations, including the extent of IFC's responsibilities for subprojects and the application of E&S requirements where visibility and leverage are indirect or limited. Management appreciates IEG's recognition that challenges for financial intermediaries are systemic across multilateral development banks and agrees that greater clarity is needed regarding the allocation of responsibilities between IFC and financial intermediary clients. This clarification is a core focus of the Sustainability Framework update. Management intends to set out a more differentiated and proportionate approach that reflects the nature of IFC's financial products, the level of E&S risk, the degree of IFC leverage, and the information reasonably available to IFC and its clients. The updated framework will aim to make expectations more transparent for clients, staff, the Board of Executive Directors, and stakeholders, while avoiding a one-size-fits-all model that would be misaligned with capital markets and other intermediated finance products. Management's intent is for these clarifications to strengthen accountability, preserve the integrity of IFC's E&S commitments, and support responsible financial intermediation in emerging markets.

Management agrees with recommendation 3, which calls on IFC to strengthen requirements in priority social and transparency areas to address critical gaps in the Sustainability Framework. Management recognizes that several priority social risks have evolved significantly since the 2012 Sustainability Framework was adopted, and that expectations from clients, communities, shareholders, and peer institutions have also advanced. IFC has strengthened its practice and client oversight of complex social risks including gender-based violence, sexual exploitation and abuse and harassment, child safeguarding, stakeholder engagement, and grievance management through procedural guidance, Good Practice Notes, contractual provisions and implementation support. Management agrees that codifying key elements of this practice in the updated Sustainability Framework will improve clarity, consistency and enforceability across regions, sectors, and clients. As reflected in the Sustainability Framework Approach Paper and discussions with the Board, management intends to strengthen and clarify requirements related to gender-based violence, sexual exploitation and abuse and harassment and child safeguarding.

Management agrees with recommendation 4, which calls on the World Bank Group to advance E&S harmonization and address evolving risks by reconciling material differences in E&S standards and embedding adaptive management in the E&S architecture. Management strongly supports advancing E&S harmonization and recognizes the burden that inconsistent frameworks place on joint clients and country counterparts. IFC, the International Bank for Reconstruction and Development, the International Development Association, and the Multilateral Investment Guarantee Agency (MIGA) are already engaged in dialogue on areas of divergence among their respective frameworks and organizational arrangements, particularly in the context of the Bank Group E&S integration process and the IFC and MIGA Sustainability Framework update. Management will continue this work with the aim of improving coherence in standards, procedures, and client engagement across Bank Group institutions, including clarifying policies and procedures for joint operations. Management also welcomes IEG's recommendation to explore a mechanism for periodic, synchronized updates to IFC and MIGA's Sustainability Framework and the World Bank's Environmental and Social Framework over time, while respecting institutional mandates and without affecting the ongoing IFC and MIGA Sustainability Framework update.

1 | Introduction

The Sustainability Framework of the International Finance Corporation (IFC) governs its approach to achieving development impact with the intent to "do no harm" to people or the environment. The framework defines the environmental and social (E&S) responsibilities of IFC and its clients, guiding risk management across advisory and investment projects. It helps IFC manage E&S risks and impacts in a manner commensurate with the scale, complexity, and severity of the potential impacts of the activities it finances.

IFC adopted its first stand-alone E&S policy in 2006 as part of its new Sustainability Framework. This change marked a move to a risk-based approach, which is less prescriptive than the compliance-focused safeguard system IFC had previously applied. IFC designed the Sustainability Framework primarily for direct investment projects with clearly defined uses of proceeds and well-specified activities under IFC's control. It last updated the policy in 2012 with several changes, including the incorporation of the Access to Information Policy and extended language on financial intermediaries and supply chain oversight. Since then, IFC has continuously adapted and expanded its organization, procedures, systems, guidance, and tools for managing E&S risks but not its policy or performance standards.

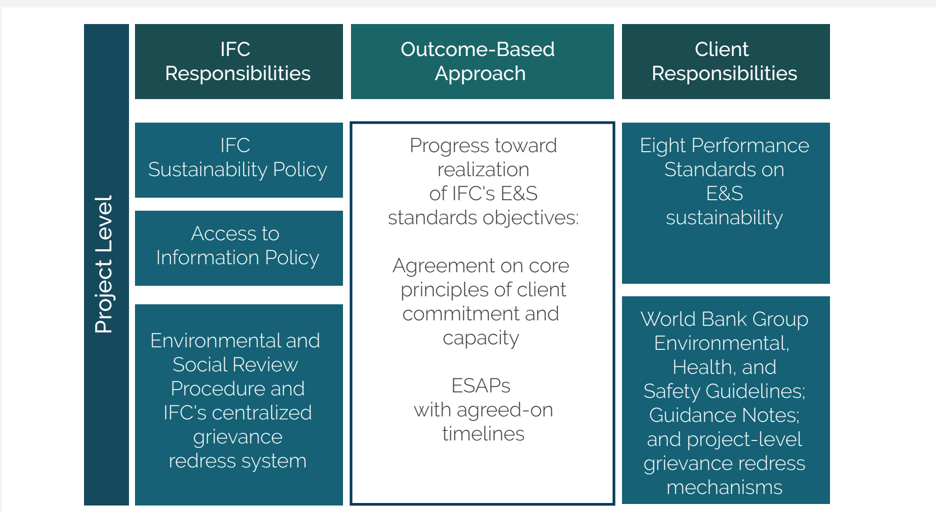
The Sustainability Framework establishes a structured process for managing E&S risks. At appraisal, IFC reviews clients' E&S risk management systems and practices, assesses risks and impacts, and determines applicable requirements. IFC then agrees with clients on time-bound Environmental and Social Action Plans (ESAPs) to address identified gaps and risks during implementation. ESAPs specify concrete actions aligned with the Performance Standards and host country laws, are formalized as legally binding commitments, and provide the basis for monitoring compliance and progress. Grievance redress mechanisms (GRMs) are set up to enable workers and affected communities to raise concerns and support early identification and resolution of E&S issues. Clients' achievement of E&S objectives depends on the implementation of ESAPs and ongoing monitoring of E&S risks in an adaptive management framework, supported by IFC's ongoing engagement and monitoring throughout the project life cycle. ESAPs are central to accountability for active projects and are disclosed in accordance with the Access to Information Policy. Box 1.1 describes the Sustainability Framework's components.

Box 1.1. Components of the IFC's Sustainability Framework

The Sustainability Framework comprises (i) the Sustainability Policy that sets out high-level principles and the Access to Information Policy, both applicable to the International Finance Corporation (IFC); (ii) eight Performance Standards that define clients' responsibilities; and (iii) Guidance Notes and other technical materials meant to support client implementation of the Performance Standards.

The division between IFC's role and responsibilities and the client's responsibilities makes IFC's Sustainability Framework accessible as a global public good because it has made it easy for other institutions to adopt IFC's standards.

Figure B1.1.1. Sustainability Framework and Related Operational Components



Source: Independent Evaluation Group, based on IFC's Sustainability Framework and related training materials.

Note: E&S = environmental and social; ESAP = Environmental and Social Action Plan; IFC = International Finance Corporation.

(continued)

Box 1.1. Components of the IFC's Sustainability Framework (cont.)

IFC's commitments behind the Sustainability Framework are as follows:

- Intend to do no harm to people and/or the environment.
- Enhance the sustainability of private sector operations.
- Foster positive development outcomes.
- Ensure that costs of development do not fall on poor and vulnerable populations.
- Support the sustainable management of natural resources.
- Uphold the right to be informed and consulted.
- Promote respect for human rights.
- Address gender, climate change, and ecosystem services.

The eight Performance Standards and their objectives are as follows:

- Assessment and Management of Environmental and Social Risks and Impacts—Mitigation hierarchy and grievance management
- Labor and Working Conditions—Fair treatment, safe work, and no forced labor
- Resource Efficiency and Pollution Prevention—Pollution reduction and sustainable resource use
- Community Health, Safety, and Security—Adverse impact avoidance and respect for human rights
- Land Acquisition and Involuntary Resettlement—Displacement prevention and fair compensation
- Biodiversity Conservation and Sustainable Management of Living Natural Resources—Conservation and sustainable management
- Indigenous Peoples—Respect for rights and free prior informed consent
- Cultural Heritage—Protection of heritage and equitable benefit sharing.

Source: Independent Evaluation Group.

IFC's Sustainability Framework became an industry benchmark and enhanced IFC's reputation. The 2006 Sustainability Framework and its 2012 update influenced the E&S frameworks of other multilateral and development finance institutions, including the African Development Bank, the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank, and the World Bank. The Equator Principles are a voluntary risk management framework, grounded in IFC's Performance Standards, that has shaped how the global financial sector manages E&S risks in project finance. Adopted by international commercial banks, development finance institutions (DFIs), and export credit agencies, the Equator Principles have helped diffuse IFC-based E&S requirements across global project finance markets and establish a common baseline for due diligence—that is, the preinvestment E&S risk assessment that informs approval, conditions, and ESAPs. By 2024, the Equator Principles had been adopted by 129 financial institutions, covering a substantial share of international project finance. An Independent Evaluation Group (IEG) evaluation of IFC's convening power highlighted partners' appreciation for IFC's contributions to the global spread of these sustainable banking standards (World Bank 2020). However, IFC's leadership position has eroded in specific areas as peer institutions have more systematically integrated emerging E&S risks into binding standards and operational requirements—a theme examined in chapter 2.

IFC's E&S safeguards are subject to extensive external scrutiny. IEG's 2010 safeguards evaluation assessed IFC's E&S performance (World Bank 2010). Since then, IEG has validated IFC projects' E&S performance based on IFC's own project self-evaluations—a comprehensive monitoring framework with more than 100 appraisal and evaluation indicators for direct investment and financial intermediary projects. IFC's self-evaluation system, validated by IEG, provides a more comprehensive and discriminating assessment of E&S performance than the World Bank's borrower performance ratings, which rely on nonmandatory definitions, lack independent validation, and show limited differentiation across the portfolio, according to IEG's evaluation of the Environmental and Social Framework (ESF; World Bank 2026). Civil society organizations (CSOs) also track E&S issues in IFC projects, frequently drawing on Office of the Compliance Advisor

Ombudsman (CAO) cases to advocate for stronger protections for project-affected people and the environment, and several high-profile CAO cases have highlighted implementation shortcomings. A 2020 review—conducted by an independent external review team of six experts commissioned by the Committee on Development Effectiveness—further examined the relationship between CAO and IFC, reinforcing the importance of credible accountability and review processes (World Bank Group 2020).

Evaluation Scope and Questions

This evaluation is timely and relevant to policy. The Committee on Development Effectiveness requested the evaluation to identify lessons that could inform IFC's planned update of the Sustainability Framework. At the time of writing the evaluation, this update was set to conclude in 2028. While IEG designed the evaluation, World Bank Group senior management announced a decision to align and harmonize E&S arrangements across IFC, the Multilateral Investment Guarantee Agency, and the World Bank. The implementation of this harmonization was still ongoing at the time the evaluation team completed data collection, heightening the relevance of the findings for both the Sustainability Framework update and broader Bank Group reform efforts.

The evaluation aimed to identify findings critical for the Sustainability Framework update, its effective implementation, and Bank Group–wide E&S harmonization. Conducted in coordination with IEG's parallel evaluation of the World Bank's first five years of implementation of the ESF, it assessed E&S performance and analyzed the drivers of variation across IFC-financed projects, linking performance to the systems and processes used to implement the Sustainability Framework. It also examined the framework's ongoing suitability for IFC's business model, including through comparison with peer multilateral development bank (MDB) frameworks. The evaluation covered implementation between FY 2012 and FY25 to assess the performance and fit for purpose of the 2012 Sustainability Framework.

The evaluation sought to answer three key questions:

- To what extent has the Sustainability Framework been effectively implemented and met IFC's evolving business needs?
- To what extent have E&S outcomes been tracked and achieved?
- What are the risks and opportunities for IFC in aligning and harmonizing E&S frameworks with the World Bank and other MDBs?

Evaluation Methods

The evaluation drew on quantitative and qualitative data sources to provide an unbiased, portfolio-wide assessment of the Sustainability Framework, including the following:

- IEG project validations of 956 IFC-supported investment projects, drawing on ratings and result evidence independently validated by IEG (see chapter 3)
- Comparative (benchmarking) analysis of IFC's Sustainability Framework against the E&S frameworks of the World Bank and four peer MDBs, with deeper focus on ADB and EBRD and lessons relevant for IFC, complemented with a light-touch comparison of implementation experiences in MDBs and bilateral financiers
- Field-based case studies and interviews with clients, civil society representatives, third-party consultants, and IFC staff and managers, including site visits to five IFC regional hubs (Colombia, India, Kenya, Thailand, and Türkiye) and case studies in eight countries (Colombia, Guatemala, India, Jordan, Kenya, Thailand, Türkiye, and Viet Nam), selected to ensure diversity across sectors, instruments, and E&S risks
- Semistructured interviews with approximately 106 IFC staff and 31 client companies across headquarters, regional hubs, and project case studies
- Targeted analysis of gender-based violence (GBV) risks, added in part to match the ESF evaluation's GBV focus (including a review of ESAPs with GBV actions, in-depth analysis of 25 projects, and interviews with 23 specialists and clients)

- Review of IFC–World Bank collaboration in 10 jointly financed projects, selected from an IEG database and in consultation with IFC and World Bank staff

- Analysis of accountability and learning mechanisms, including IFC's responses to 12 Management Action Plans arising from CAO cases (the 5 most recent Management Action Plans and 7 additional cases selected to ensure sectoral and instrument diversity)

- Analysis of IFC E&S staffing data and internal monitoring systems, including sustainability risk ratings and ESAPs

- Stakeholder engagement and validation, including two workshops with CSOs and ongoing consultations with IFC staff involved in the Sustainability Framework update

The evaluation applied a mixed methods design anchored in a clear conceptual framework to assess performance, fit for purpose, and outcomes. Quantitative analysis combined econometric and statistical examination of IEG-validated E&S performance ratings with IFC portfolio, monitoring, and staffing data to identify trends and factors associated with E&S performance and change over time. Qualitative analysis of IEG project validations, evaluations, and interview evidence complemented this analysis by explaining observed patterns and variation. The evaluation team also examined IFC's E&S staffing and organizational arrangements; benchmarked MDB E&S frameworks and harmonization practices; and conducted targeted analyses of gender approaches, IFC–World Bank collaboration in joint operations, and organizational learning. The conceptual framework (appendix A) guided the analysis by linking actors, responsibilities, outcomes, and explanatory factors. The evaluation team triangulated evidence across methods through structured cross-team workshops and by using the criteria described in box 1.2 to ensure coherence, robustness, and depth, including synthesis of findings to address risks and opportunities related to Bank Group E&S harmonization.

Box 1.2. Evaluation Criteria: Fit for Purpose, Performance, and Results

Fit for purpose (including relevance) assesses whether the Sustainability Framework's policy architecture, Performance Standards, and guidance remain practical, clear, and aligned with the evolving business model of the International Finance Corporation (IFC) and today's environmental and social risk landscape. It examines coverage of contemporary environmental and social issues, applicability across IFC instruments, clarity and proportionality of requirements, alignment with peer institutions and global practice, and responsiveness to stakeholder expectations.

Performance assesses how effectively IFC and its clients implement the Sustainability Framework in practice, focusing on the quality of client systems and action plans, IFC's due diligence and supervision, monitoring and reporting arrangements, and the extent to which learning informs evolving guidance and practice.

Outcomes assess the real-world environmental and social outcomes associated with IFC-supported projects, including environmental protection, worker and community outcomes, application of the mitigation hierarchy, durability of outcomes over time, and the balance between positive and adverse effects.

Source: Independent Evaluation Group.

The evaluation had some methodological limitations caused by constraints in IFC's E&S data systems. IFC houses E&S information in multiple platforms, and its migration of historical records into newer systems introduced inconsistencies that constrained the team's ability to conduct a portfolio-wide analysis, leading it to rely on case studies and desk-based reviews for some types of information. These data limitations are most pronounced for financial intermediary operations, as IFC reporting centers on the intermediary itself, with limited and inconsistent insight into E&S risks and outcomes at the subportfolio level. More broadly, uneven documentation and the prevalence of cases with insufficient monitoring evidence limited the evaluation's ability to draw definitive conclusions about E&S performance across all Performance Standards. In addition, case study access and ongoing organizational changes within IFC—including shifts in mandates, reporting lines, and procedures—affect comparability over time.

Report Structure

Chapter 2 presents the evaluation's findings about the Sustainability Framework's fit for purpose: its coverage and architecture compared with other MDBs' frameworks and its continued suitability for IFC's evolving business. Chapter 3 presents the findings about the Sustainability Framework's performance and outcomes in IFC-supported projects. Chapter 4 presents the findings on IFC's implementation arrangements: E&S monitoring, staffing, client perceptions, reporting, disclosures, data systems, and learning. Chapter 5 concludes with lessons and recommendations for updating the Sustainability Framework, improving its implementation, and ensuring its continued suitability. Appendix A describes the methods used. Appendix B presents a comparison of IFC's framework with that of other major MDBs. Appendix C documents the evaluation team's econometric analysis for the evaluation.

2 | Fit for Purpose

Highlights

The Sustainability Framework, while previously at the vanguard, is less up to date than some peer frameworks in selected areas, including gender-based violence, stakeholder engagement, and related social risks. Although the International Finance Corporation has addressed many of these issues through guidance and implementation practices, gaps remain in the Performance Standards.

The Sustainability Framework is more readily applied to investments with a defined use of proceeds, including traditional project finance and fund investments. In these transactions, requirements can be specified at appraisal and linked to defined project activities, allowing clearer determination of scope and proportionality and more consistent monitoring of Environmental and Social Action Plan implementation.

As the International Finance Corporation's business has shifted toward instruments with less-defined use of proceeds, applying the Sustainability Framework consistently has become more complex. The expansion of equity investments, corporate finance, capital market instruments, and financial intermediary operations creates situations in which requirements are harder to specify, scope, and monitor.

The International Finance Corporation maintains independent environmental and social oversight and applies the Performance Standards in cofinanced operations. These actions support assurance through consistent application of requirements but can lead to some duplication of processes where multiple frameworks are applied in parallel.

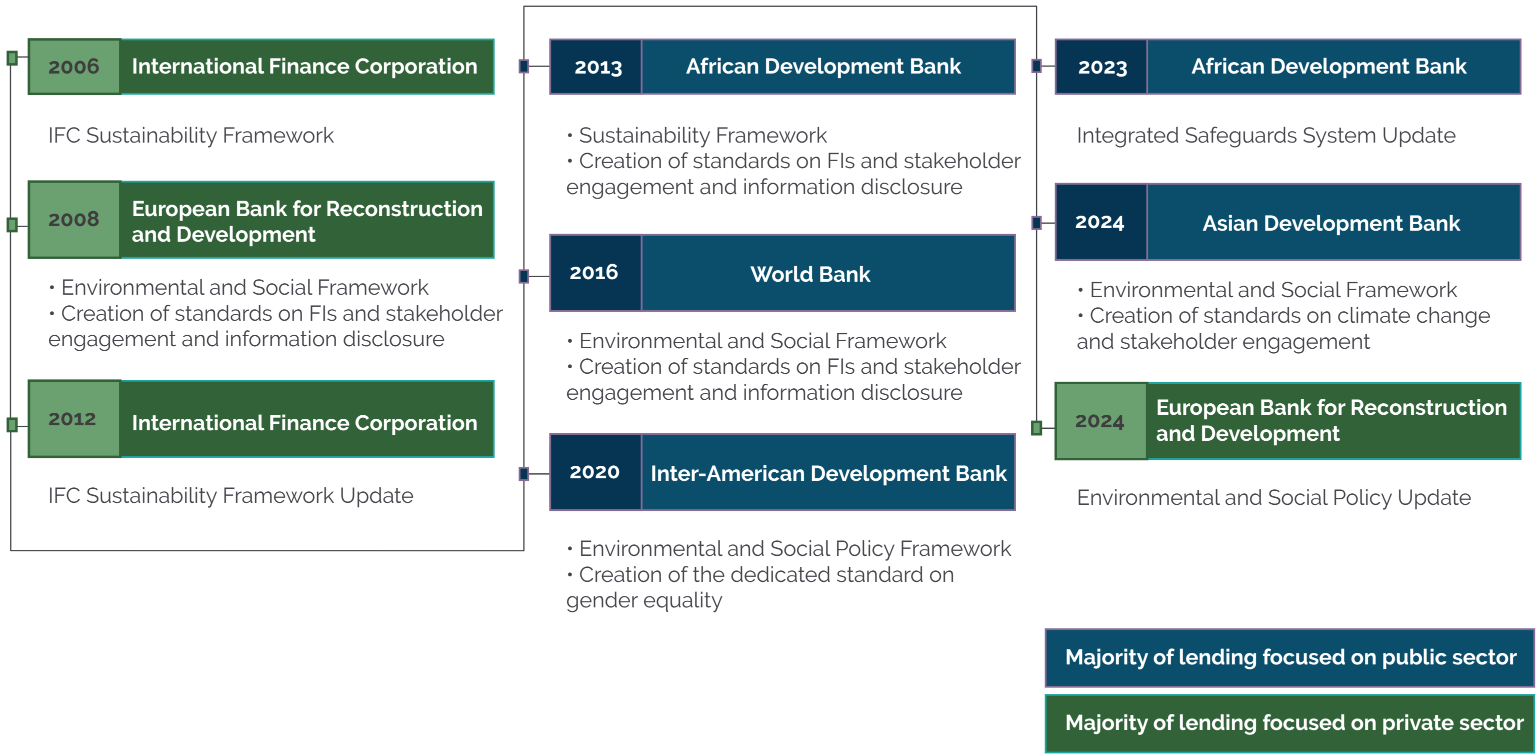
This chapter assesses the Sustainability Framework's suitability for IFC's business model. It draws on comparison with peer MDB frameworks and examines how the framework performs across key E&S themes, investment modalities, cofinanced operations, and evolving stakeholder expectations. The chapter finds that the framework remains broadly comparable to peer MDB frameworks and continues to provide a solid foundation for managing E&S risks, particularly in traditional project finance and fund investments. At the same time, it is less well aligned with evolving practice in some areas relevant to IFC's current business, especially in the treatment of specific social risks and in how requirements are applied across a wider range of instruments.

The Framework in Comparison

IFC's Sustainability Framework has long served as a reference point for other MDB frameworks, but it is less up to date in some areas. Peer institutions have retained the core structure of IFC's Performance Standards but have updated and expanded their frameworks over time, including revisions by the World Bank, the Inter-American Development Bank, ADB, and EBRD. While the broad architecture and core principles remain comparable across MDBs, reflecting IFC's earlier influence, some peer frameworks now include more explicit and systematized requirements in selected areas. In this sense, the Sustainability Framework continues to reflect foundational principles that have been widely adopted, even as aspects of its content have evolved less rapidly (figure 2.1).

Peer institutions have introduced additional standards to address areas not explicitly covered in IFC's framework, such as standards on financial intermediaries, stakeholder engagement and information disclosure, and selected emerging risks. Over time, several MDBs have incorporated these areas directly into their policy frameworks, whereas IFC has sought to address them through guidance and implementation practices. This difference in how requirements are articulated contributes to variation in how frameworks are applied across institutions, even where underlying objectives are similar.

Figure 2.1. IFC's E&S Framework Is Older Than Those of Most Peer Multilateral Development Banks



Source: Independent Evaluation Group.

Note: E&S = environmental and social; FI = financial intermediary; IFC = International Finance Corporation.

Recent reforms by ADB and EBRD illustrate how peer MDBs are updating their frameworks to strengthen differentiation, proportionality, and risk responsiveness (box 2.1). The evaluation reviewed these frameworks in depth because ADB represents the most recent update cycle among major MDBs, and EBRD's private sector–focused business model provides a close point of comparison for IFC. The two institutions reflect different but complementary trajectories. ADB's 2024 framework integrates public and private operations within a single structure, with differentiated requirements across instruments and a stronger emphasis on adaptive management. EBRD has pursued incremental updates within a stable architecture broadly aligned with IFC's, progressively expanding requirements and embedding clearer proportionality and risk-based procedures while maintaining operational flexibility.

IFC's Sustainability Framework has not kept pace with some recent developments in MDB practice in areas relevant to IFC's evolving business model. The benchmarking analysis indicates that several peer institutions have taken further steps to differentiate requirements across instruments, embed selected social risks more explicitly in policy frameworks, and strengthen provisions for proportionality and adaptive management. IFC has addressed many of these areas through guidance and implementation practice, but their more limited integration into formal policy contributes to variation in how requirements are applied, as documented in chapters 3 and 4, including differences in supervision practices, tracking of ESAP commitments, and disclosure and stakeholder engagement across operations. These differences are increasingly relevant given IFC's growing use of equity, corporate finance, and financial intermediary and capital market operations, and they help explain why the implementation challenges identified in chapters 3 and 4 persist despite broadly comparable policy objectives.

Box 2.1. How ADB and the EBRD Have Updated and Operationalized Their E&S Frameworks

Recent updates to the environmental and social (E&S) frameworks of the Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD) illustrate different approaches to maintaining

(continued)

Box 2.1. How ADB and the EBRD Have Updated and Operationalized Their E&S Frameworks (cont.)

relevance while preserving a stable overall architecture. The comparison highlights how peer institutions have clarified requirements, strengthened risk-based approaches, and adapted frameworks to a wider range of instruments.

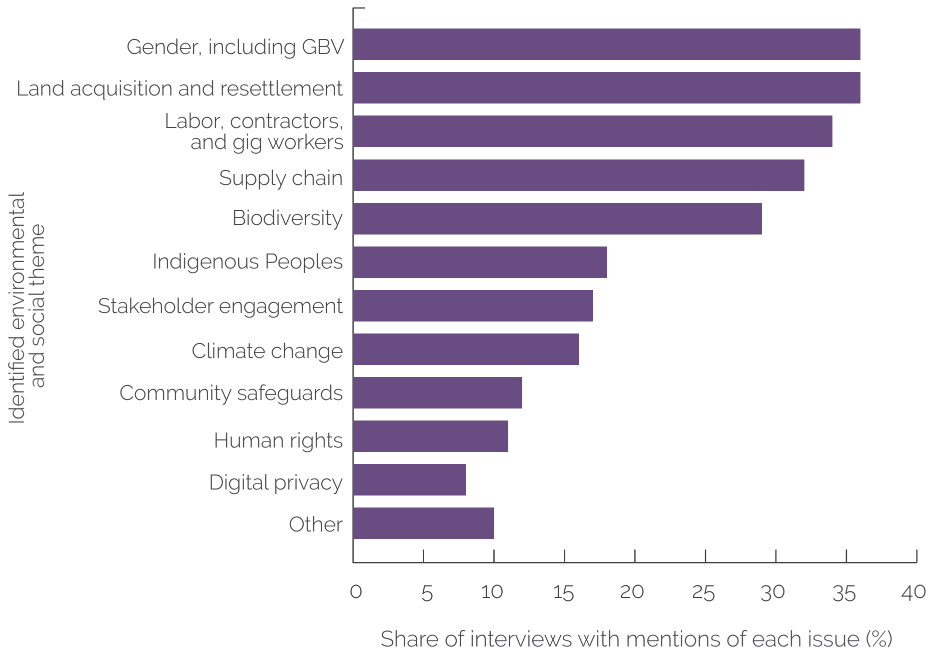
- **Differentiating requirements across financing instruments.** ADB and EBRD articulate more clearly how E&S requirements apply across project finance, corporate finance, equity, and financial intermediary operations. This articulation reduces ambiguity and supports more consistent application across instruments.
- **Strengthening risk-based and adaptive management.** Both institutions more explicitly link risk categorization to due diligence, supervision intensity, and adaptive management, which supports adjustment of requirements and supervision over the project cycle, particularly for higher-risk operations.
- **Supporting coordination in cofinanced operations.** ADB's framework allows for the use of common approaches where requirements are materially aligned with those of cofinanciers, providing a clearer basis for coordinated implementation in joint operations.
- **Expanding and clarifying selected social risk areas**. ADB and EBRD have incorporated more explicit treatment of selected social risks and stakeholder engagement within their policy frameworks, compared with the International Finance Corporation's greater reliance on guidance and implementation practice.
- **Clarifying expectations for stakeholder engagement and grievance redress mechanisms.** Both institutions provide clearer expectations for engagement and grievance handling while retaining flexibility in how clients implement these requirements.
- **Institutionalizing periodic updates.** EBRD's regular review cycle illustrates how incremental updates can support alignment with evolving risks and experience over time without changing the overall structure of the framework.

Source: Independent Evaluation Group.

Gaps on Social Issues

The Sustainability Framework has greater weaknesses in addressing social issues than environmental issues. The evaluation team's comparison of publicly reported data from the independent accountability mechanisms of ADB, EBRD, IFC (CAO), and the World Bank (the Inspection Panel) shows that complaints across these mechanisms cluster around similar themes and are predominantly social rather than environmental. Land acquisition, risk assessment (a cross-cutting issue), and community health and safety appear most frequently in these complaints, followed by stakeholder engagement and information disclosure and labor and working conditions. GBV has become a particularly salient issue for IFC, notably following the CAO Bridge International Academies case, which contributed to IFC's decision to exit and not resume investments in fee-charging private kindergarten to grade 12 education. Interview evidence reinforces this pattern: staff and client interviews raised social issues—especially gender inclusivity, GBV, land acquisition, and stakeholder engagement—more often than environmental issues (figure 2.2). Most interviewees attributed these issues primarily to implementation challenges rather than to gaps in the standards themselves. However, several areas—notably gender and GBV, climate change, digital privacy, and stakeholder engagement—were identified as exceptions, where shortcomings reflect gaps in standards that are not fully addressed through existing Guidance Notes (figure 2.3).

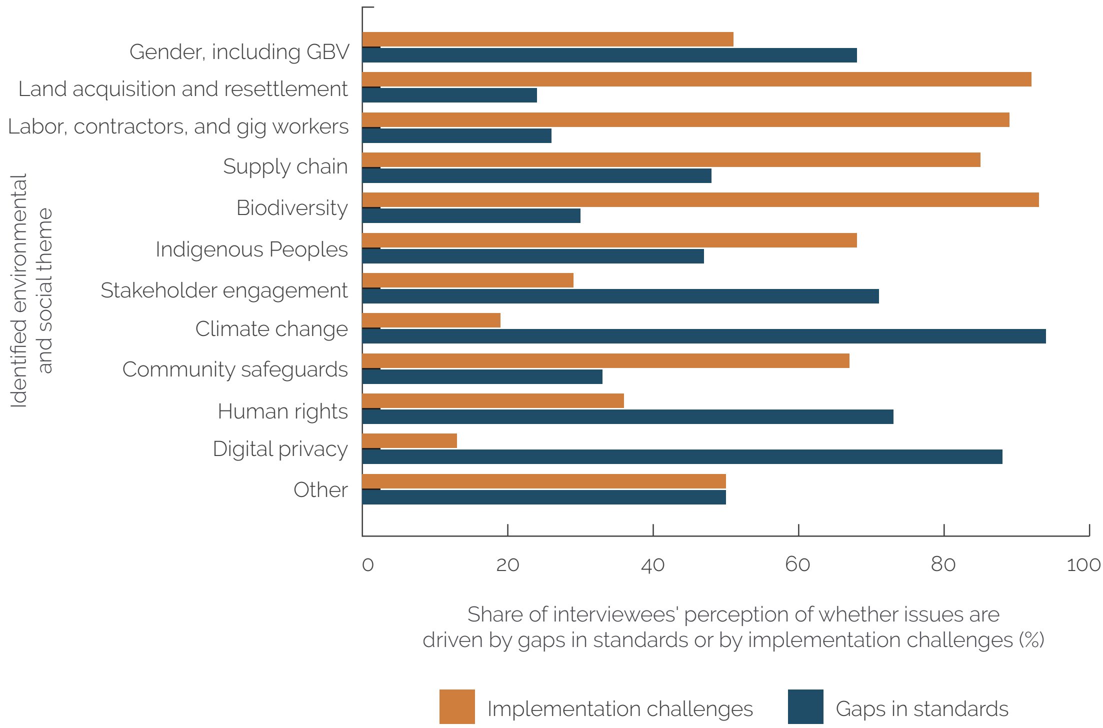
Figure 2.2. Issues Where the Sustainability Framework Has Gaps and Challenges



Source: Independent Evaluation Group.

Note: n = 103; excludes 34 (out of 137) staff or clients who did not raise concerns or comments regarding gaps and challenges with specific themes in the Sustainability Framework. GBV = gender-based violence.

Figure 2.3. Gaps in Standards Versus Implementation Challenges



Source: Independent Evaluation Group.

Note: GBV = gender-based violence.

IFC has made progress in addressing GBV through guidance and procedures, which have been inconsistently applied across the portfolio. Sexual exploitation and abuse and sexual harassment are forms of GBV that IFC has increasingly recognized as a material E&S risk. Since 2020, IFC has adopted a zero-tolerance stance; developed Good Practice Notes; updated the E&S review procedures to reflect sexual exploitation, abuse, and harassment (SEAH) and child protection; hired GBV specialists and a global senior child protection adviser; and integrated GBV screening questionnaires into its ESG360 system for appraisal and supervision. In 2025, IFC also introduced legal clauses requiring clients to adopt antiharassment policies, report incidents, and implement child protection measures where relevant. Despite these advances, the GBV review found that IFC projects have addressed GBV inconsistently, for reasons explained in box 2.2. By contrast, the World Bank, which also relies on Good Practice Notes, has embedded SEAH measures more consistently and comprehensively—and started doing so earlier—than IFC, as evidenced in IEG's forthcoming evaluation of the

ESF. ADB and EBRD have gone further by integrating SEAH risks directly into binding standards, though explicit policy language is only one element of effective risk management. IFC has committed to addressing GBV and child protection in its updated Sustainability Framework.

Box 2.2. Consequences of Relying on Good Practice Note Guidance for GBV

The International Finance Corporation (IFC) approach to gender-based violence (GBV) has relied largely on guidance, including Good Practice Notes and tip sheets, rather than explicit standards and procedures. This approach provides flexibility but can make it less clear which measures are required versus recommended, with implications for consistency and accountability. Evidence on how this plays out in practice includes the following:

» **Broad and nondifferentiated guidance.** Performance Standards 2 and 4 address risks related to harassment and labor influx in general terms, without specifying sexual abuse, exploitation, and harassment. Good Practice Notes set out a wide range of possible mitigation measures but do not clearly distinguish minimum requirements from discretionary actions or provide clear differentiation by risk level, capacity, or context, requiring significant judgment by teams and clients.

» **Uneven integration in project instruments.** IFC operations primarily use Environmental and Social Action Plans to embed GBV measures. Integration remains limited: 13 percent of 2,525 Environmental and Social Action Plans include GBV-related actions. IFC has recently introduced legal provisions applicable across operations that establish minimum GBV expectations of clients, including human resources policies and incidence reporting timelines.

» **Gaps in risk screening and documentation.** IFC recommends early GBV risk screening, but use of appraisal-stage tools is inconsistent. Some projects record GBV risks as "not relevant" without documented analysis, and Environmental and Social Review Summaries rarely include a GBV assessment. Uptake of GBV ratings introduced in 2024 has been limited (12 projects in 2024 and 71 in 2025), indicating incomplete coverage of screening processes.

(continued)

Box 2.2. Consequences of Relying on Good Practice Note Guidance for GBV (cont.)

- **Limited depth in specific areas, including child protection.** Review of Environmental and Social Action Plans with GBV-related actions shows limited attention to child protection beyond child labor. IFC issued new guidance and legal provisions in 2025 to expand coverage of child abuse, exploitation, and harassment, but implementation capacity remains constrained.
- **Constraints on enforceability during implementation.** GBV risk screening is not systematically completed at appraisal, and when risks are identified later in the project cycle, they are difficult to address retroactively. Interviews indicate that clients often resist adding mitigation measures that were not included in the original legal agreement.

Source: Independent Evaluation Group.

IFC's Sustainability Framework has a relatively less explicit treatment of stakeholder engagement and grievance management. ADB, EBRD, and other institutions give stakeholder engagement a higher-profile treatment in their policy frameworks. Every comparator institution—including the World Bank—has adopted a dedicated standard on stakeholder engagement and information disclosure, mandating "meaningful consultation," ongoing disclosure, grievance management, and protection against intimidation or retaliation in community engagement. These stand-alone standards aim to ensure that key elements of public consultation are systematically addressed—for example, by requiring that engagement be free of manipulation, coercion, or discrimination. In IFC's case, stakeholder engagement is addressed primarily through cross-cutting provisions rather than a dedicated standard, and certain elements—such as explicit antireprisal provisions—are not set out as stand-alone, clearly defined requirements in the Performance Standards but are instead embedded across provisions or addressed through guidance.

Other MDBs place a more explicit and systematic emphasis on social vulnerabilities in their E&S frameworks. For example, EBRD's 2024 policy integrates human rights considerations into E&S due diligence and requires specific measures for disadvantaged or vulnerable groups across relevant standards. ADB's updated framework similarly embeds attention to vulnerable groups across its standards. IFC's standards refer to vulnerable groups, but typically in more general terms, whereas some peers require more explicit identification of such groups in social assessments and tailored mitigation measures. These differences relate to how requirements are articulated in policy frameworks; evidence is more limited on how they translate into implementation outcomes.

E&S requirements on supply chain risks are inherently challenging to implement in practice. Evidence from interviews and case material indicates that IFC clients often have limited leverage over upstream suppliers, particularly in fragmented or informal markets and where national enforcement is weak. While clients may comply with Performance Standards within their own operations, suppliers may operate in contexts where risks such as child labor, forced labor, unsafe working conditions, or deforestation persist. The experience of natural rubber supply chains illustrates these challenges: manufacturers reported difficulties ensuring traceability and influencing practices as materials pass through multiple intermediaries and smallholder producers. Addressing such risks typically requires extensive supply chain mapping and monitoring, but both clients and IFC staff noted that these efforts often have limited reach beyond first-tier suppliers, reflecting structural constraints on visibility and leverage.

The Performance Standards do not yet explicitly address some emerging risks related to digitalization and data privacy. Recent updates by EBRD and ADB incorporate digital and data protection considerations more directly—for example, by requiring protections for employee data and integrating such issues into stakeholder engagement planning. IFC's current standards and guidance do not explicitly cover these areas (appendix B). As digital identification and data use expand across sectors, including in stakeholder engagement and service delivery, the treatment of data privacy is becoming increasingly relevant within E&S risk management.

Other Gaps and Challenges

Some peers' frameworks articulate climate and resilience considerations more explicitly in policy. IFC's approach has been to treat climate risks and greenhouse gas emissions as cross-cutting considerations, primarily through Performance Standard 3: Resource Efficiency and Pollution Prevention, without a dedicated climate standard. By contrast, ADB introduced a full climate change standard in its 2024 ESF, and other MDBs have incorporated resilience, climate adaptation, and climate-related disclosures more explicitly within their standards. For example, ADB and EBRD require projects to assess vulnerability to natural hazards and future climate change impacts and to consider adaptation measures such as climate-resilient design features. In IFC's case, relevant provisions are distributed across Performance Standards and do not explicitly refer to climate-induced risks or adaptation planning in the same way.

Other thematic areas also reflect gaps between IFC's current standards and more recently updated peer frameworks. The evaluation's comparison identifies several areas where ADB and EBRD have incorporated issues that were less prominent when IFC last revised its standards:

» Road safety. IFC's Performance Standard 4 refers to traffic-related risks in general terms, and the 2007 General Environmental, Health, and Safety Guidelines include provisions on traffic safety, with case evidence showing application in some projects. By contrast, ADB and EBRD require road safety audits and management plans for projects with significant traffic risks, and the World Bank includes similar requirements in its standards, providing more explicit expectations for risk assessment and mitigation.

» Product safety and mental health. IFC's framework does not explicitly address product safety beyond areas such as food safety or broader psychosocial health considerations, whereas EBRD includes provisions on product safety for clients manufacturing consumer goods and addresses mental health impacts as part of its standards.

» Use of experts for high risks. ADB's standards require the use of qualified or international experts for high-risk projects and include analysis of emerging risks, including digital risks where relevant. IFC uses external expertise in practice in some cases, but this is not explicitly specified as a requirement in the Performance Standards.

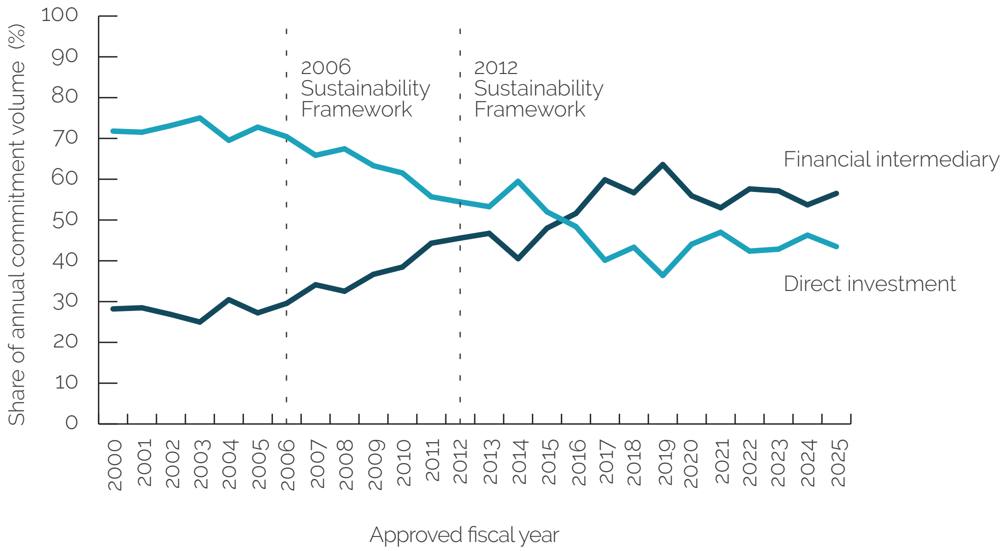
Applying the Standards Across Investment Modalities

IFC's Performance Standards are more readily applied to direct investments with a defined use of proceeds. Direct investments typically have well-defined project boundaries, which makes it easier for IFC and clients to determine the scope of the Performance Standards and apply requirements ex ante. These investments are often concentrated in sectors such as manufacturing, infrastructure, and agribusiness, where established international good practice and industry standards reduce interpretation gaps and uncertainty, according to consultations with technical experts. Many companies entering such transactions already have baseline E&S management systems, often linked to export markets or certifications, enabling IFC requirements to align with existing processes and be planned and resourced up front. The Performance Standards were originally designed with such investment types in mind, allowing IFC to focus assessment and supervision on specific technical risks—such as land acquisition and resettlement or biodiversity management—rather than on defining the scope of applicability. Interview evidence supports this pattern: out of 45 respondents who commented, 35 respondents expressed positive views on the suitability of the Performance Standards for direct investments. Moreover, chapter 3 shows higher E&S performance ratings for these operations than for corporate lending.

Applying the Performance Standards to equity investments and corporate lending is more complex because these instruments differ from the well-defined project contexts for which the framework was originally designed. Although these instruments differ, both typically involve financing that is not tied to specific, predefined assets, extending IFC's exposure across multiple undefined assets, potentially located in different countries, that cannot be assessed individually, making appraisal and monitoring more complex. This situation also includes equity investments in commercial banks, including those with multicountry operations and the associated challenges of dealing with different regulatory environments. In equity investments, IFC is always a minority investor, limiting its leverage over investees' operations; as a result, IFC must set boundaries for future operations at commitment to avoid high-risk acquisitions that are aligned with the risk profile of the project. IFC nominates directors to boards of some investee companies and has strengthened processes and training related to nominee directorships (the evaluation did not assess the influence of nominee directors on E&S practices). For direct investment clients in equity investments and corporate lending, applying the Performance Standards to the entirety of their operations—including legacy assets, past land acquisitions, and global operations—can substantially expand the scope and complexity of the exercise (according to the evaluation's interviews and consultations with technical experts).

As IFC's business model has expanded and diversified, elements of the 2012 Sustainability Framework have been complemented through successive guidance updates. Over the past 25 years, IFC has increasingly channeled capital through financial intermediaries, as shown in figure 2.4, using a wide range of instruments and client types. Each instrument carries distinct E&S risk profiles, leverage structures, and degrees of access to information and influence that are not always clearly differentiated in the current policy framework. These developments extend beyond the transaction types for which the original framework was designed and have been addressed in practice through guidance. The 2012 IFC Policy on Environmental and Social Sustainability establishes sustainability requirements for financial intermediaries, but it was formulated based on the transaction types prevalent at the time and provides limited specificity for more recent modalities. In response to requests from the Board of Executive Directors during the presentation of the 2012 Sustainability Framework, IFC supplemented the policy with an Interpretation Note on Financial Intermediaries, first issued in 2012 and updated in 2018 and replaced by the Guidance Note on Financial Intermediaries in 2023, providing greater detail on requirements, including clearer triggers for when the Performance Standards should apply. However, these guidance updates—while providing additional operational detail—do not fully substitute for clearer differentiation in the core policy framework for certain newer modalities. For example, biodiversity bonds and nature-themed financial instruments have become more common, attracting investors seeking environmental outcomes alongside financial returns, but these investments may require more specific E&S criteria, requirements, and reporting (box 2.3).

Figure 2.4. Financial Intermediaries Have Grown in Importance for IFC Since 2000



Source: Independent Evaluation Group; International Finance Corporation.

Note: Financial intermediary projects encompass financial market transactions and funds. IFC = International Finance Corporation.

Box 2.3. Labeled Bonds Issued by Financial Institutions Involve Increased Specific Requirements and Elevated Risks

The use of labeled bonds (such as green, social, sustainability, blue, and biodiversity) is expanding, particularly in Latin America and the Caribbean, as investor interest grows for establishing a new asset class issued by financial institutions in emerging markets. For instance, biodiversity bonds are designed to raise capital for activities that protect, restore, or enhance biodiversity, and they operate under heightened scrutiny and evolving sustainability disclosure expectations. To maintain credibility and avoid greenwashing risks, these instruments require clear environmental and social definitions of what qualifies as "biodiversity finance," well-defined eligibility and exclusion criteria (including geographic and habitat screening), and robust systems for reporting and verifying both use of proceeds and outcomes.

(continued)

Box 2.3. Labeled Bonds Issued by Financial Institutions Involve Increased Specific Requirements and Elevated Risks (cont.)

The International Finance Corporation's Biodiversity Finance Reference Guide (IFC 2023a)—aligned with the multilateral development banks' Common Nature Finance Taxonomy (AfDB et al. 2025)—provides a basis for such approaches.

Early experience highlights material implementation challenges. Clients may have limited capacity to assess biodiversity impacts and supply chain risks in line with Performance Standard 6, and reputational risks can be heightened where underlying activities or verification processes are weak. In some jurisdictions, higher-risk transactions may also involve activities associated with systemic environmental risks in the operating context. Biodiversity bond issuance typically triggers requirements related to Performance Standard 6 that go beyond standard environmental and social screening, requiring additional technical analysis, stronger supply chain due diligence, and careful treatment of protected areas. The 2023 guidance recognizes the need to engage external expertise where in-house capacity is insufficient for higher-risk transactions. Without sustained technical support, clients may face difficulties meeting these requirements. Despite these challenges, early adoption of enhanced requirements related to Performance Standard 6 has been positive.

Sources: AfDB et al. 2025; IFC 2023a; Independent Evaluation Group.

As IFC channels capital through an increasingly diverse and complex set of financial modalities, the consistent application of the Sustainability Framework has become more challenging. Transaction types differ significantly in their E&S risk profiles and leverage structures and in the extent of IFC's access to information and ability to influence outcomes. However, the current policy framework does not sufficiently differentiate among these modalities. Capital markets transactions, for example, present challenges that are fundamentally different from those associated with onlending to project finance or lending focused on small and medium enterprises. In such transactions, financial intermediary clients may be unable to cascade the Performance Standards to the underlying assets, or subprojects, and typically rely on publicly available information and screening tools rather than site-level assessments and supervision (see box 2.4 for examples of various capital market and capital relief instruments). These structural constraints underscore the need for clearer articulation of IFC's approach, including the boundaries of its influence and the limitations of its due diligence and monitoring. This need is further reinforced by IFC's Vision 2030, which aims to expand investment volumes through broader use of financial intermediaries, platforms, blended finance, capital markets, and advisory-to-investment approaches (IFC 2026). Taken together, these developments highlight the importance of a clearer, more transparent, and more differentiated framework aligned with the evolving composition of IFC's portfolio.

Box 2.4. Complex Financial Instruments for Which the Performance Standards Are Hard to Apply

Some International Finance Corporation (IFC) financial instruments and modalities limit IFC's leverage over clients and access to information, making consistent application and supervision of the Performance Standards more difficult than in traditional lending.

- **Listed bonds issued by financial intermediaries.** When IFC invests in a listed bond, it typically cannot conduct standard environmental and social (E&S) due diligence and impose loan-style E&S covenants. Such investments are typically subject to equal treatment rules defined by stock exchanges that issuers must follow. Therefore, E&S requirements must instead be embedded indirectly through prospectuses or trust deeds, which are constrained by securities law and capital market norms. These limitations reduce IFC's ability to require detailed disclosure, monitor implementation, or enforce corrective actions, resulting in weaker and less consistent application of the E&S requirements than in other types of financial intermediary projects.
- **Funds investing in fixed income assets.** IFC's investments in listed fixed income assets may create exposure to underlying bond issuers without a direct relationship with those issuers. In such cases, the fund manager typically invests in debt securities rather than through instruments that provide meaningful influence over issuer operations, and access to issuer-level information may be limited. As a result, due diligence may rely in significant part on information available through prospectus or other external sources, and IFC may have limited ability to promote, require, or monitor consistent application of its E&S standards

(continued)

Box 2.4. Complex Financial Instruments for Which the Performance Standards Are Hard to Apply (cont.)

across underlying exposures. These features can make application of the standards more difficult and may require a tailored approach to E&S review.

- **Distressed Asset Recovery Program.** These investments involve portfolios of nonperforming loans or distressed assets, often acquired through auctions or as blind pools structured by originators. E&S risks vary widely depending on asset type. This heterogeneity and retrospective exposure constrain the consistent application of the E&S requirements. To avoid exposure to subprojects with legacy E&S risks, IFC's project selection must be based on clear eligibility criteria and a process that allows for screening out such transactions.
- **Synthetic risk transfers.** In these operations, IFC provides guarantees that allow banks to transfer credit risk without transferring ownership of the underlying assets. Because IFC does not finance or directly control the guaranteed portfolio, it must rely on the financial intermediary's existing underwriting, portfolio management, and E&S procedures. This indirect exposure significantly limits IFC's ability to apply E&S requirements. In these operations, Performance Standards may or may not be applicable depending on the supported guaranteed portfolio, and IFC's approach must include a selection of proper assets up front, often limited by strict bank secrecy laws.

Source: Independent Evaluation Group.

Monitoring Requirements Through Financial Intermediaries

Ensuring compliance in financial intermediary projects is often facilitated through ring-fencing of IFC-financed activities. The current Sustainability Framework establishes no requirements for IFC or its financial intermediary clients with respect to E&S risk management standards for lending operations that sit outside the defined use of proceeds, although IFC is expected to encourage its financial institution clients to manage E&S risks throughout their entire portfolios. In practice, IFC often requires financial intermediary clients to apply an environmental and social management system (ESMS) and its E&S requirements only to IFC-supported subprojects, a practice known as ring-fencing. This approach limits the scope of application of IFC E&S requirements and makes compliance more manageable through reporting and selective audits. Evidence from the portfolio indicates that ring-fencing can support compliance during the tenor of IFC's loan or facility and, in some cases, help establish or strengthen ESMS practices for the supported asset class, including improvements in ESMS design and implementation over time, where systems are sustained. For example, a Central American financial institution illustrates this pattern. IFC ring-fenced loan proceeds to small and medium enterprise lending and renewable energy and energy efficiency projects, prompting the institution to strengthen an inherited ESMS that had not adequately covered these asset classes, which eventually led to improved E&S performance. At the same time, evidence from case studies and interviews suggests that the extent to which these practices are applied beyond the IFC-supported portfolio varies across clients, with some institutions extending ESMS practices more broadly and others maintaining them primarily within ring-fenced operations. Although ring-fencing may reduce IFC's direct accountability and legal exposure, relying on it as a primary safeguard offers limited protection against reputational risks, particularly if a financial institution client introduces a controversial subproject into the non-ring-fenced portion of its portfolio. Sustained E&S performance depends not only on ring-fencing arrangements but also on the intermediary's broader institutional capacity and commitment to apply E&S risk management more widely.

Monitoring and enforcing E&S requirements are inherently more challenging in financial intermediary projects because of IFC's limited leverage and access to subproject information. IFC's influence over downstream activities is indirect in many financial intermediary operations, and its visibility into subprojects which makes consistent assessment and monitoring more challenging, as described in box 2.5. These challenges are particularly pronounced in IFC investments in regulated commercial banks, where assessment and monitoring may be constrained by regulatory limitations; in trade finance, where IFC typically does not apply or monitor the Performance Standards because of the short-term nature of the instruments;

and in investments in large or multicountry financial institutions, where IFC's exposure spans diverse and evolving portfolios that cannot be assessed in detail ex ante. Across both IFC and peer institutions, these structural features shape how E&S risks are managed in practice. Although legal agreements typically include enforcement provisions, these provisions are used sparingly and serve primarily as backstops. Instead, institutions rely mainly on sustained engagement, dialogue, and relationship-based approaches to maintain influence and encourage compliance, even where formal contractual levers are available.

Box 2.5. Ensuring Compliance in Financial Intermediary Projects Can Be Challenging

Differences in local laws require negotiation and adaptation, particularly in markets with weak regulatory frameworks. The International Finance Corporation (IFC) requires financial intermediary clients to establish and implement an environmental and social management system for IFC-financed subprojects, even where national regulations do not mandate this. In Jordan, for example, IFC partner banks established environmental and social management system frameworks, assigned dedicated environmental and social staff, and applied IFC exclusion lists and risk categorization to onlending from IFC credit lines despite the absence of national requirements—illustrating how implementation often demands sustained effort from both IFC and its clients.

In practice, there are gaps in visibility. IFC monitors performance mainly through annual environmental and social reporting and supervision at the financial institution level; in some cases, this monitoring involves subproject sampling, which provides partial but not systematic coverage. Case studies and interviews indicate that IFC may not have a complete picture of how consistently subprojects apply environmental and social requirements, creating potential divergence between reported and actual risk profiles. Effective implementation therefore depends heavily on each intermediary's internal capacity, systems, and commitment to classify risks and monitor subborrowers and investee companies.

These dynamics are especially consequential for risks such as gender-based violence (GBV), where the private sector's capacity and expertise tend to be low. IFC's oversight focuses on the intermediary entity, which limits the visibility of subprojects. *(continued)*

Box 2.5. Ensuring Compliance in Financial Intermediary Projects Can Be Challenging (cont.)

As documented in the GBV deep dive, this limited visibility constrains IFC's ability to systematically monitor and enforce GBV-related measures across subportfolios, particularly where regulatory frameworks are weak or silent on these risks. More recently, for projects that pose GBV risks at the subproject level, IFC includes specific GBV-related requirements for the client in legal agreements.

Source: Independent Evaluation Group.

MDBs' experience suggests that weaknesses in financial intermediary E&S performance reflect implementation constraints rather than gaps in the standards and that a stand-alone financial intermediary standard—without the resources and access to implement it—is unlikely to resolve these challenges. The adoption of stand-alone financial intermediary standards by institutions such as the African Development Bank, EBRD, and the World Bank has helped clarify client responsibilities in some forms of intermediated finance, but it has not resolved recurring challenges related to stakeholder engagement, disclosure, and supervision. Lessons from ADB, EBRD, and IFC's CAO consistently point to difficulties in translating E&S requirements into practice in financial intermediary projects, particularly where clients have limited capacity or incentives to manage downstream risks (ADB 2020). These challenges reflect limitations in implementation capacity and the need for more tailored guidance and supervisory approaches across diverse financial intermediary instruments, rather than deficiencies in the formal structure of the standards themselves. While a distinct standard can clarify policy expectations, it would not fundamentally alter IFC's leverage, information asymmetries, or supervisory reach in intermediated finance. As a result, such a standard would need to be complemented by additional resources, tools, and mechanisms to support effective implementation and supervision across different financial intermediary instruments.

The diversity of existing and emerging financial instruments presents additional challenges for applying E&S requirements. Applying these requirements to a line of credit or a lending product with prespecified eligibility—such as housing finance or rooftop solar—differs materially from applying them to equity investments or untargeted subordinated loans, where risk pathways and client control are more diffuse. MDBs' experience suggests that policy frameworks that allow for the periodic incorporation of new instruments, requirements, and associated guidance can help address this diversity. For example, the European Investment Bank has an established approach for integrating new financing modalities, including a dedicated New Product Committee that reviews due diligence methodologies, assesses the applicability of E&S standards, and recommends appraisal and monitoring requirements. These approaches are subsequently incorporated into internal procedures and guidance, allowing the framework to evolve alongside changes in financial instruments.

Alignment and Harmonization with Other Lenders

IFC nearly always conducts its own full E&S due diligence and monitoring rather than relying on other lenders, which can create challenges for clients. In practice, IFC often sets the benchmark for how the E&S requirements, including applicable Performance Standards, are interpreted and applied: it conducts its own assessments, requires its own progress reports, and enforces covenanted actions independently of other institutions' monitoring, according to case studies. This approach reflects a preference for identifying and addressing potential gaps directly, even when doing so requires additional analysis, documentation, or staff site visits. Box 2.6 shows that this process can result in duplicated or inconsistently sequenced requirements among financiers, increasing reporting burdens and creating operational bottlenecks for clients. At the same time, interviews with clients and consultants working with multiple lenders suggest that some institutions accept less than full compliance in certain situations, which in turn reinforces IFC's preference of applying its own due diligence and monitoring.

Box 2.6. Uncoordinated Demands Frustrate Clients

The International Finance Corporation and the European Bank for Reconstruction and Development led an environmental and social review for a major airport expansion involving 18 lenders. As each additional lender introduced new requirements, the Environmental and Social Action Plan expanded from 70 items to more than 120. The client noted that the International Finance Corporation's and the European Bank for Reconstruction and Development's stringent standards, combined with uncoordinated input from other lenders, created a dense web of obligations. These obligations came with strict deadlines tied to loan conditions, which added significant complexity to project compliance.

Differences in risk categorization and interpretations of standards also caused client frustration. In another example, the International Finance Corporation classified a project as high risk (category A) after another multilateral development bank had previously classified it as medium risk (category B).

Clients called for strategies to reduce duplication among cofinanciers. They specifically highlighted the need for alignment in areas such as risk categorization, excluded activity lists, climate change assessment, supply chain management, legacy issues related to land acquisition and resettlement, biodiversity risk assessment, reporting frameworks, technical guidelines and standards, and communication and coordination mechanisms. Clients shared the following illustrative quotes: "There is a need to have a commonality among DFIs [development finance institutions]. Presently, each DFI has its own exclusion list." "Cofinanced projects often require sponsors to comply with multiple sets of standards." "Consider harmonization strategies . . . to minimize duplicative requirements for sponsors." "Mutual reliance, harmonized approaches, and better coordination are some of the ways project finance institutions can reduce duplication."

Source: Independent Evaluation Group.

Some joint IFC–World Bank projects delegated E&S processes to IFC to simplify compliance. IEG conducted in-depth reviews of 10 joint IFC–World Bank projects approved between FY12 and FY25. In three cases—the International Development Association Private Sector Window projects and the Global Agriculture and Food Security Program—the World Bank fully delegated E&S due diligence and monitoring to IFC, and these operations proceeded similarly to standard IFC investments.

Other IFC–World Bank projects encountered challenges from overlapping or unclear implementation arrangements. The remaining seven joint IFC–World Bank projects reviewed were public-private partnerships. In these cases, some projects did not designate a single institution to lead on E&S issues. Cofinancing institutions followed their own internal review and approval timelines, which were not always aligned; responsibilities for receiving and resolving complaints were sometimes unclear; and accountability arrangements did not consistently reflect the division of E&S responsibilities across institutions. These challenges did not stem from technical misalignment between IFC's Performance Standards and the World Bank's E&S standards—which were generally resolved through case-by-case coordination—but from differing implementation arrangements that were not clarified early in project preparation. In some instances, IFC—having not been involved in the World Bank's initial due diligence on specific risks (such as tunneling risks in the Bogotá Metro project)—requested that aspects be revisited to ensure alignment with its requirements. These coordination gaps, rather than the coexistence of two standards frameworks, contributed to delays and additional burden for clients. Interviews and case studies in India and Kenya similarly indicate that differences in sequencing and interpretation, particularly where IFC enters later in the process, can create additional demands on clients.

Conflicting Stakeholder Expectations

Stakeholders hold divergent expectations for IFC's standards update, particularly on how to balance stronger requirements with maintaining existing safeguards. Interviews with representatives of CSOs, representatives of the Bank Group Board, and IFC management indicate that IFC faces both internal and external pressures to strengthen standards in line with evolving peer practices. CSOs identify gaps between IFC's standards and their application in practice, based on the evaluation's review of CSO submissions on the Sustainability Framework update (box 2.7). In interviews, representatives of CSOs expressed conditional support for harmonization where it reduces duplication without lowering standards, raised concerns about potential regression when aligning across institutions, and emphasized the importance of avoiding any reduction in the level of protection when aligning frameworks across institutions. This emphasis on maintaining standards—often framed as "no loosening"—reflects concerns among some stakeholders about preserving existing safeguards, including in the context of CAO oversight. At the same time, other stakeholders emphasize the need for greater realism and differentiation in applying requirements across sectors and financial instruments, reflecting variations in risk profiles and client capacity. These perspectives highlight a tension between maintaining uniform standards and introducing differentiated approaches, with stakeholders differing in how they assess the implications for the level of protection provided. Box 2.8 summarizes the range of stakeholder positions.

Box 2.7. Civil Society Sees Gaps in Coverage, Implementation, and Rights-Based Protections in the Sustainability Framework

Civil society organizations (CSOs) generally acknowledge that the International Finance Corporation's Sustainability Framework sets a high standard, but submissions—often drawing on projects with poor outcomes and formal complaints—highlight gaps between standards and their application in practice. Based on the evaluation team's discussions with representatives from CSOs and a review of approximately 20 submissions shared with the Independent Evaluation Group, these perspectives emphasize challenges in risk identification, consistent application of the Performance Standards, and follow-through on compliance, particularly in high-risk sectors and financial intermediary operations. CSOs also call for a shift from a predominantly risk-based mitigation approach toward a more rights-based approach that emphasizes harm avoidance and recognition of affected communities as rights holders. While supporting an update of the Sustainability Framework, CSOs caution against weakening existing standards.

Coverage gaps and incomplete framework areas. CSOs identify areas they consider insufficiently addressed, including trade finance, supply chains, climate change, consumer protection, and access to information. Many submissions highlight concerns related to stakeholder engagement, grievance redress mechanisms, and access to remedy, particularly in financial intermediary contexts where affected communities may have limited visibility and recourse.

(continued)

Box 2.7. Civil Society Sees Gaps in Coverage, Implementation, and Rights-Based Protections in the Sustainability Framework (cont.)

Misalignment with evolving international standards. CSOs argue that the International Finance Corporation's standards have not kept pace with developments in international practice since the last revision, including human rights due diligence frameworks, alignment with the Paris Agreement on climate change, and biodiversity standards associated with the Kunming–Montreal Global Biodiversity Framework.

Implementation gaps and accountability in practice. CSO submissions point to challenges in implementation, supervision, and enforcement, citing concerns about how consistently requirements are applied over the project cycle. These concerns are most frequently raised for higher-risk sectors and financial intermediary operations, where the International Finance Corporation relies more on client systems and has more limited visibility into subprojects. Submissions also highlight perceived weaknesses in stakeholder engagement, disclosure, and grievance redress mechanisms, including accessibility and effectiveness.

Sources: CSO document submissions as part of the International Finance Corporation's upcoming Sustainability Framework Update; Independent Evaluation Group.

Box 2.8. Civil Society, Staff, and Clients Have Differing Perspectives on the Compliance Advisor Ombudsman

Civil society organizations consistently view the Office of the Compliance Advisor Ombudsman (CAO) as an important accountability mechanism, and stakeholder perceptions of its role are relevant to understanding expectations around the Sustainability Framework, although CAO performance itself is not assessed in this evaluation. Engagement with international human rights organizations, advocacy groups, and community-based organizations indicates that many stakeholders perceive CAO as independent and comparatively assertive in its approach to compliance review and harm assessment, particularly in complex or cofinanced projects, consistent with findings from the *External Review of IFC/MIGA E&S Accountability, Including CAO's Role and Effectiveness*. Some stakeholders indicated that this perception can influence where complaints are raised in joint operations.

International Finance Corporation staff and management generally recognize CAO's role while also noting operational implications. Staff described CAO processes as contributing to heightened risk sensitivity and, in some cases, a more cautious approach to engaging in higher-risk sectors or contexts. Some staff also observed that complaints, including those not ultimately substantiated, can require substantial management attention and may affect project timelines.

Clients expressed mixed views. Some see the prospect of CAO scrutiny as an incentive for stronger compliance and earlier risk management, while others highlighted concerns related to reputational exposure, procedural requirements, and increased public attention associated with complaints.

Sources: Independent Evaluation Group; World Bank Group 2020.

Note: E&S = environmental and social; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.

3 | Performance and Outcomes

Highlights

Most International Finance Corporation (IFC)–financed projects achieve satisfactory environmental and social (E&S) performance at maturity—68 percent of direct investments and 83 percent of financial intermediary projects, averaged over the evaluation period—and performance has improved substantially since 2012, rising from 61 to 75 percent for direct investments and from 68 to 89 percent for financial intermediaries.

Most projects show E&S gains during IFC engagement, but about one-quarter do not. Twenty-two percent of projects maintained low ratings from appraisal through maturity, and 3 percent declined. Projects without improvement are concentrated in agribusiness and selected infrastructure subsectors.

About 28 percent of direct investment projects were rated partly unsatisfactory or worse on Environmental and Social Action Plan implementation. The most common shortfalls involve water pollution and effluent discharge, occupational health and safety risks, and environmental and social management system deficiencies. About 4 percent of direct investment projects received an E&S rating of unsatisfactory at evaluation.

Reporting gaps—including for land acquisition, Indigenous Peoples, and cultural heritage—limit compliance verification in a nontrivial share of projects. Among high-risk financial intermediary subportfolios, 23 percent of projects were rated less than satisfactory on verification of subclient compliance.

Where E&S risks are identified early and addressed consistently, there is evidence of improved practices; conversely, weak implementation of E&S requirements was associated with adverse outcomes in some cases. IFC's monitoring focuses on Environmental and Social Action Plan implementation, rather than outcomes, limiting systematic visibility into E&S results.

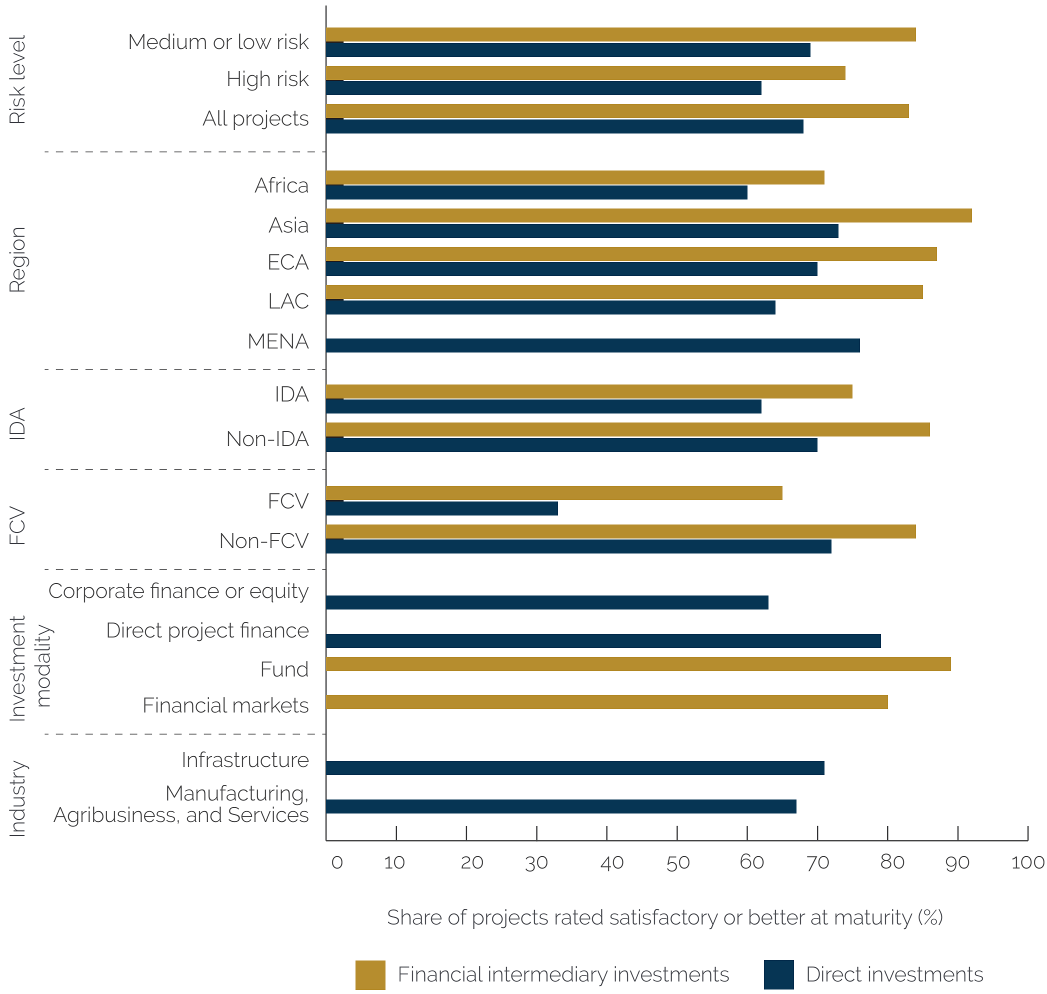
IFC's E&S additionality is a significant driver of performance. Projects where IFC clearly delivered its intended E&S support were significantly more likely to achieve strong performance and improve over time.

This chapter presents the evaluation's findings on the Sustainability Framework's performance and outcomes in IFC-supported projects. It analyzes E&S performance ratings, examines the nature of E&S shortfalls, reviews outcomes, and identifies key drivers of performance. The evidence shows that most IFC-financed projects achieve satisfactory E&S performance, and performance has improved substantially over the past decade. Yet, a meaningful share of projects underperform, and IFC's own quality of engagement is a significant driver of whether projects succeed.

IEG Ratings of E&S Performance

Most IFC-financed projects achieve satisfactory E&S performance. IEG has validated IFC's self-evaluations, known as Expanded Project Supervision Reports, since 2012 using a standardized methodology (described in box 3.1). Based on this methodology, IEG rated 68 percent of direct investments and 83 percent of financial intermediary projects satisfactory or better on E&S performance at maturity, typically about five years after approval (figure 3.1). The remainder of this chapter describes and explains patterns in IFC projects' E&S performance. For financial intermediary projects, ratings primarily capture the effectiveness of systems and oversight rather than direct verification of subproject outcomes, meaning that risks within subprojects may not be fully reflected.

Figure 3.1. Most IFC–Financed Projects Achieve Satisfactory E&S Performance



Source: Independent Evaluation Group.

Note: The figure shows environmental and social performance at evaluation, a measure that summarizes projects' overall performance across all standards. The bars show the share of projects rated satisfactory or excellent at evaluation, by project type (direct investment and financial intermediary) and category. The full sample includes 210 direct investment projects, and 212 financial intermediary projects, evaluated under the 2012 policy. For direct investments, risk level: high risk (*n* = 34) and medium or low risk (*n* = 176); region: Africa (*n* = 55), Asia (*n* = 56), ECA (*n* = 33), LAC (*n* = 44), and MENA (*n* = 17); IDA: IDA (*n* = 58) and non-IDA (*n* = 142); FCV: FCV (*n* = 21) and non-FCV (*n* = 183); investment modality: corporate finance or equity (*n* = 138); and industry: Infrastructure (*n* = 80) and Manufacturing, Agribusiness, and Services (*n* = 126). For financial intermediary investments, risk level: high risk (*n* = 19) and medium or low risk (*n* = 188); region: Africa (*n* = 51), Asia (*n* = 65), ECA (*n* = 30), LAC (*n* = 46), and MENA (*n* = 11); IDA: IDA (*n* = 64) and non-IDA (*n* = 126); FCV: FCV (*n* = 20) and non-FCV (*n* = 166); and investment modality: financial markets (*n* = 160) and funds (*n* = 47). Categories with fewer than 15 projects are excluded from the chart. ECA = Europe and Central Asia; FCV = fragility, conflict, and violence; IDA = International Development Association; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa.

Box 3.1. How IEG Rates IFC's E&S Performance

The International Finance Corporation (IFC) self-evaluates its investment projects, and the Independent Evaluation Group (IEG) validates a stratified random sample, typically five to seven years after commitment, to assess development outcomes. Each year, the sample is designed to be representative of projects reaching maturity and covers approximately 40 percent of IFC's investment portfolio.

This evaluation draws on evidence from IFC-supported investment projects with results validated by IEG. Within this universe, the analysis uses the following project samples:

- All 956 projects approved under the 2006 and 2012 versions of the Sustainability Framework with validated environmental and social (E&S) performance ratings since FY 2012, of which
  - 422 projects were approved under the 2012 Sustainability Framework, of which
    - 132 projects (86 direct investments and 46 financial intermediary projects) were covered by the evaluation team's desk-based project reviews, and
    - 19 projects approved under the 2012 Sustainability Framework were assessed by IEG in the field through Project Performance Assessment Reports.

For each validated project, IEG assesses the following performance dimensions:

- **E&S effects:** IEG assesses adherence to the Sustainability Framework's requirements and verifies whether the project met the commitments set out in the Summary of Investment Information, the Environmental and Social Review Summary, and the Investment Agreement.
- **Client's E&S performance at appraisal:** IEG assesses the client's E&S gaps at appraisal with respect to applicable Performance Standards; World Bank Group Environmental, Health, and Safety Guidelines; and host country regulations.
- **Client's E&S performance at maturity:** IEG assesses the client's compliance with applicable Performance Standards; World Bank Group Environmental, Health, and Safety Guidelines; and host country regulations, as well as its implementation of Environmental and Social Action Plan (ESAP) commitments.

(continued)

Box 3.1. How IEG Rates IFC's E&S Performance (cont.)

- **IFC's E&S additionality:** IEG assesses the added value of IFC's involvement and whether the expected E&S additionality outlined in the project's Board of Executive Directors paper was delivered.
- **IFC's E&S performance (at appraisal and during supervision):** IEG assesses how effectively IFC applied its own E&S review and supervision procedures.

E&S ratings use a four-point scale:

- **Excellent:** the project exceeded IFC E&S requirements, delivering strong performance and positive impacts and contributing to broader market or industry improvements.
- **Satisfactory:** the project met IFC requirements and host country regulations, implemented the ESAP, and avoided significant adverse E&S impacts.
- **Partly unsatisfactory:** the project did not fully meet IFC requirements or ESAP commitments, but deficiencies were addressed and did not result in material E&S harm.
- **Unsatisfactory:** the project failed to meet IFC requirements or ESAP commitments, with limited mitigation or responsiveness, or resulted in harm, such as accidents causing injuries or fatalities.

Source: Independent Evaluation Group.

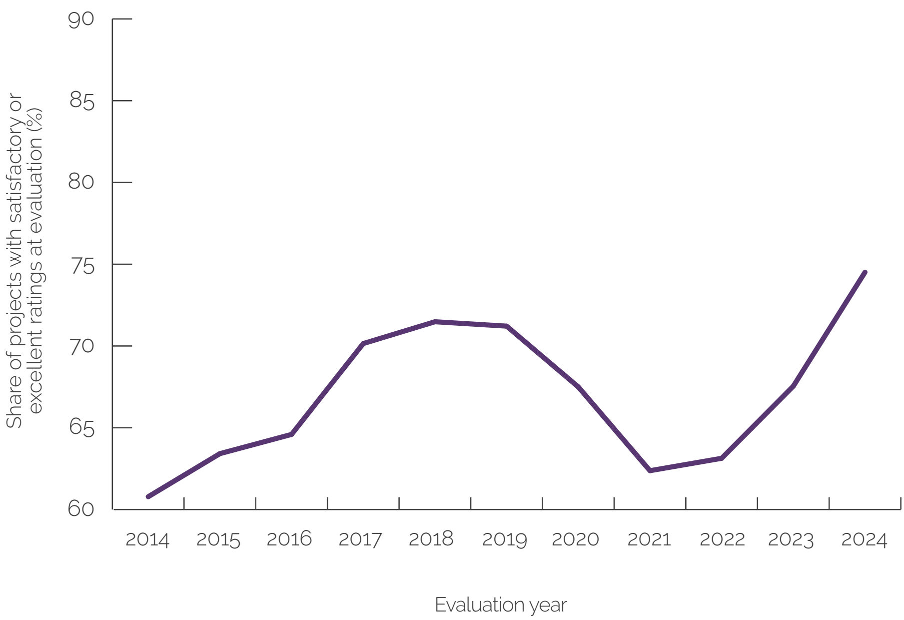
IFC clients' E&S performance has improved over the evaluation period. The share of direct investment projects with E&S ratings of satisfactory or better increased from 61 percent to 75 percent between 2014 and 2024, while the share of financial intermediary projects with ratings of satisfactory or better rose from 68 percent to 89 percent, based on three-year rolling averages (figure 3.2). These gains represent substantial improvements. The upward trend is also evident when focusing only on projects approved under the 2012 Sustainability Framework.

Broader company- and country-level factors contribute to improvements in E&S performance. At the country level, many governments have strengthened E&S laws and regulations, alongside wider adoption of international labor standards and increased public and corporate awareness of sustainability, climate change, and biodiversity risks. At the company level, E&S performance has become more commercially salient, influencing access to finance, competitiveness, and reputation. Repeat clients have become more familiar with IFC's requirements, and some first-time clients view the Performance Standards as a leading industry benchmark, particularly in the financial sector. Increased scrutiny from civil society and social media has also strengthened incentives for companies to manage E&S risks more proactively.

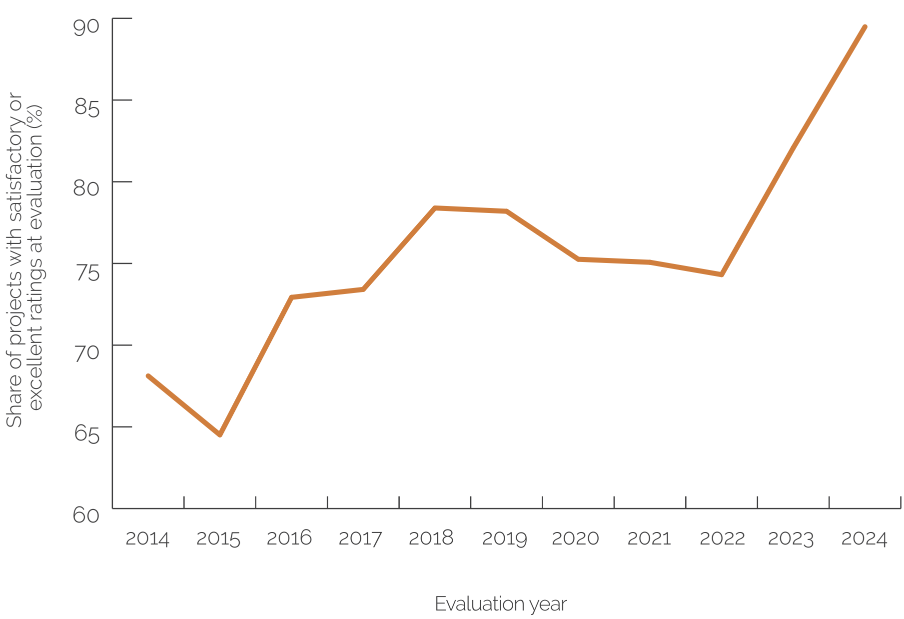
The lowest E&S performance is found in higher-risk contexts. Projects categorized by IFC as high E&S risk—category A for direct investments and FI-1 for financial intermediary projects—receive E&S ratings that are 7 and 10 percentage points lower than medium risk (category B and FI-2) projects, respectively. Projects in International Development Association countries and in countries classified as fragile and conflict-affected situations have the lowest ratings for both direct investment and financial intermediary projects; these contexts overlap with Africa, the region with the lowest average ratings. Manufacturing, Agribusiness, and Services is the industry with the lowest ratings (67 percent; see figure 3.1). These variations are consistent with higher underlying risks and greater implementation challenges, including differences in regulatory frameworks, enforcement capacity, and client capabilities. For example, the somewhat higher ratings (71 percent) observed in Infrastructure projects likely reflect the characteristics of this sector, including larger firms, greater exposure to international requirements, and more established E&S systems, whereas firms in agriculture and services may be smaller, face fewer regulatory requirements, and have more limited existing E&S capacity.

Figure 3.2. E&S Performance Ratings Have Increased Over the Last 10 Years

a. Direct investments



b. Financial intermediary investments



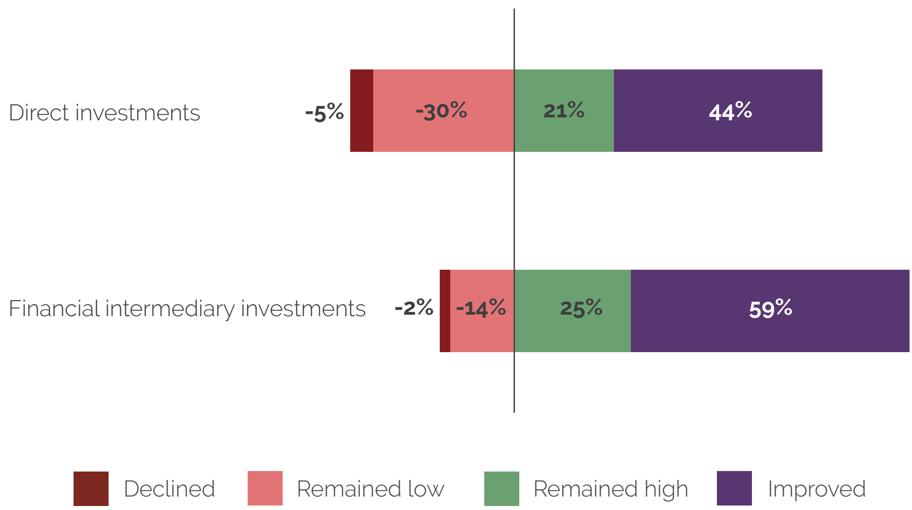
Source: Independent Evaluation Group.

Note: Rating methodologies differ for direct and financial intermediary investment projects; panels should not be read as directly comparable. The projects were assessed at maturity, using three-year rolling averages. Financial intermediary projects encompass financial market transactions and funds. E&S = environmental and social.

IFC involvement coincides with improvements in E&S performance in most projects, though not all projects improve. IEG assesses clients' adherence to the Performance Standards at appraisal and at maturity—typically about five years later—based on a set of evaluation criteria covering key aspects of E&S management. These data indicate that most projects show some improvement during IFC's engagement, although only 52 percent of all projects demonstrate improvements that are sufficiently material to result in rating changes (59 percent of financial intermediary and 44 percent of direct investment projects). The team's analysis does not establish a causal attribution of IFC's contribution to these improvements; however, the pattern of improving performance during IFC engagement is consistent with a positive role for IFC.

About one-quarter of projects with E&S gaps at appraisal did not improve despite IFC's involvement. Among direct investment projects, 30 percent remained rated unsatisfactory or partly unsatisfactory at both appraisal and maturity, and E&S performance ratings declined in 5 percent of these. Projects with persistently weak performance are concentrated in agribusiness and selected infrastructure subsectors, which together account for 54 percent of direct investment projects with low E&S ratings that did not improve. Against the bar applied to financial intermediary projects, 14 percent remained rated unsatisfactory or partly unsatisfactory and 2 percent experienced a decline in performance (figure 3.3).

Figure 3.3. Many Projects Improve E&S Performance, but Some Do Not



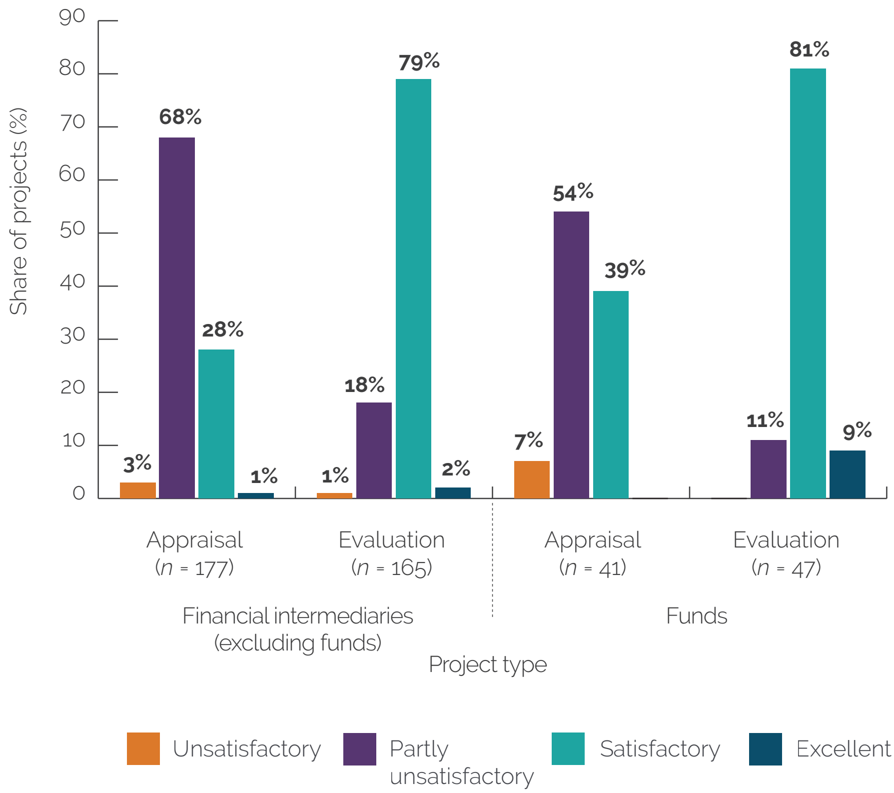
Source: Independent Evaluation Group.

Note: The figure demonstrates changes in project environmental and social performance ratings from appraisal to evaluation. Projects in which no rating was provided at appraisal or evaluation were excluded from the analysis. Declined = any downward rating change; improved = any upward rating change; remained high = no change from satisfactory or excellent; remained low = no change from unsatisfactory or partly unsatisfactory. E&S = environmental and social.

Financial intermediary projects are more likely than direct investment projects to show improvements in E&S ratings. As noted, 59 percent of financial intermediary projects and 44 percent of direct investment projects demonstrated improvements sufficient to result in higher E&S performance ratings between appraisal and maturity. One reason for this improvement is that many financial intermediaries start with less-developed E&S management systems, which makes progress and improvements more visible over time. In many cases, host country regulations do not require an ESMS, according to expert interviews, and engagement with IFC leads these institutions to establish such systems, contributing to improved E&S performance ratings. By contrast, in direct investment projects, real sector companies are more likely to have some form of ESMS in place at appraisal, often required under national regulations, which reduces the scope for improvement in ratings. Differences in applicable requirements also affect how performance is assessed: direct investments are evaluated against all relevant Performance Standards; World Bank Group Environmental, Health, and Safety Guidelines; and additional criteria, whereas financial intermediary projects are primarily assessed against Performance Standards 1 and 2 and the effectiveness of their oversight of subprojects. (Financial intermediaries are also required to apply Performance Standards to their subprojects if these have an E&S risk that triggers the Performance Standards.) This finding is based on the team's review of the ratings criteria. Under these criteria, financial intermediary projects can receive positive E&S ratings even when weaknesses persist in portfolio oversight, meaning that risks within subprojects may not be fully reflected.

Fund projects tend to achieve stronger E&S performance than other financial intermediary investments. A fund project is an IFC investment in a private equity or venture capital fund that then invests ("uses proceeds") in underlying assets and companies. At evaluation, IEG rated 90 percent of fund projects' E&S performance as satisfactory or better, compared with 81 percent for all financial intermediary projects (figure 3.4). Project reviews indicate that funds generally apply IFC's Performance Standards consistently and maintain relatively robust monitoring through annual reviews, site visits, and portfolio-level risk tracking. Funds often have more developed ESMSs in place at entry and typically manage fewer investments than other financial intermediaries, allowing more focused allocation of resources to E&S management, including dedicated staff and, in some cases, use of external expertise. These characteristics support stronger integration of E&S practices and contribute to performance outcomes. In effect, IFC's E&S risk management approach is implemented through the fund's own systems, which may also enhance portfolio value over time. Case studies show that IFC has supported funds in establishing and strengthening ESMSs used to manage risks across subportfolios. For example, in India, IFC's entry as a limited partner in a private equity fund led to progressive strengthening of E&S systems where none had existed. Over successive fund years, the fund established an environmental, social, and governance committee; required portfolio companies to adopt its E&S policies; implemented action plans; incorporated E&S compliance into executive performance assessments; and expanded board engagement to support follow-through. These measures contributed to improvements in E&S management across portfolio companies, including more formalized labor practices and pollution controls.

Figure 3.4. E&S Performance of Funds Is Rated Mostly Satisfactory or Better



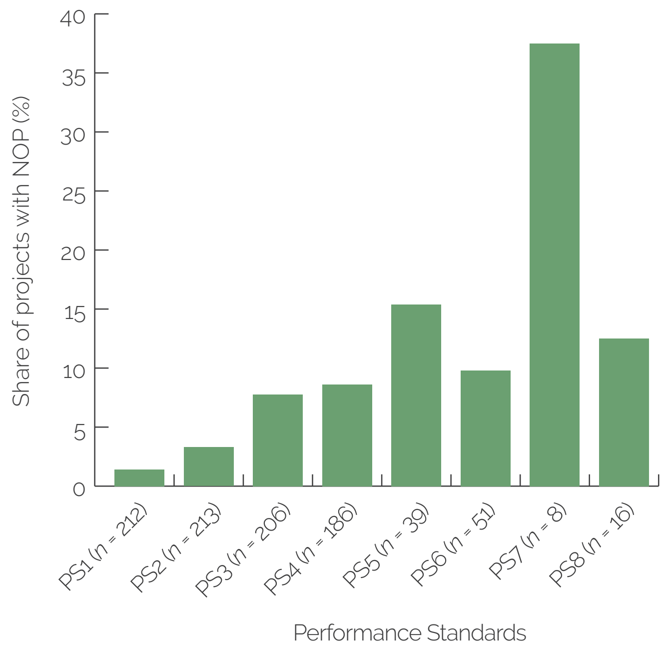
Source: Independent Evaluation Group.

Note: E&S = environmental and social.

E&S Reporting Gaps

Reporting gaps limit the evaluation team's ability to fully assess E&S performance, particularly for complex social risks. Some projects have gaps in assessed areas—that is, IFC records did not contain the information needed to assess clients' adherence to some of the triggered Performance Standards. In these instances, neither IFC nor IEG can determine whether clients adequately complied. Such gaps occur most often in Performance Standard 5 (Land Acquisition and Involuntary Resettlement), Performance Standard 7 (Indigenous Peoples), and Performance Standard 8 (Cultural Heritage), all of which involve complex social risks with potential for significant adverse impacts (figure 3.5). The evaluation team identified eight projects for which Performance Standard 7 was relevant but for which no opinion could be formed on performance. These challenges predominantly relate to documentation gaps, arising both from limited client engagement and, in some cases, from limitations in how Performance Standard 7 was identified and triggered at appraisal. One example is a South American water logistics investment, in which IFC's appraisal relied on the client's assessment that Indigenous Peoples were not present in the project's area of influence. As a result, the project did not trigger Performance Standard 7, and the ESAP included no actions specific to Indigenous Peoples. During supervision, IFC later identified Indigenous groups in the area of influence, including groups reporting adverse effects linked to the client's operations. The client's Annual Monitoring Reports did not address these issues, reflecting the absence of Performance Standard 7–based requirements established at appraisal. This situation limited IFC's ability to require and document consultation, impact mitigation, disclosure, and management of effects on lands and resources under customary use. By contrast, Performance Standards 1 and 2—which are applied more consistently—exhibit fewer reporting gaps. Although reporting gaps do not necessarily imply harm, their occurrence in areas such as Indigenous Peoples is an indication that implementation systems may not consistently surface evidence, even for higher-risk standards.

Figure 3.5. Insufficient E&S Performance Reporting Creates Unidentified Gaps for Some Aspects



Source: Independent Evaluation Group.

Note: The figure shows the percentage of projects with NOP at evaluation by applicable Performance Standard. E&S = environmental and social; NOP = no opinion possible; PS = Performance Standard.

IEG evidence shows both downstream E&S compliance gaps and limitations in IFC's ability to verify clients' performance in high-risk financial intermediary subportfolios. Among applicable high-risk financial intermediary projects, 24 percent were rated less than satisfactory on clients' verification of subclient compliance with E&S requirements, indicating challenges in how E&S risks are managed downstream. In an additional 4 percent of cases, IEG could not assign a rating because documentation was insufficient, pointing to gaps in the information that IFC relies on to assess subportfolio performance. While IFC undertakes additional oversight measures in higher-risk financial intermediary operations—such as reviewing samples of investment documents, assessing E&S due diligence, and conducting selective validation visits—IEG ratings indicate that IFC's quality of work in verifying clients' compliance is less than satisfactory in 23 percent of cases, with an additional 5 percent lacking sufficient evidence to rate. Taken together, these findings indicate that for a meaningful share of high-risk financial intermediary subportfolios, IFC either identifies compliance challenges or lacks sufficient information to assess performance.

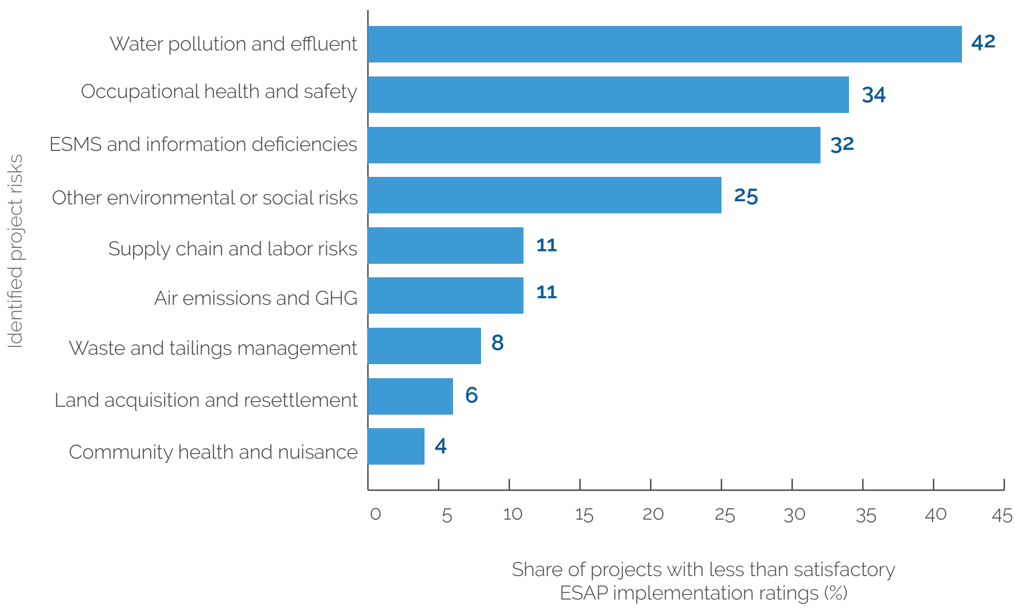
Compared with its peers, IFC's policy framework provides less explicit guidance on how high-risk financial intermediary subportfolio compliance is verified in practice. As documented in appendix B, several MDBs address downstream risks through stand-alone financial intermediary standards or clearer differentiation of verification approaches across instruments and risk profiles. This represents a difference in how requirements are articulated at the policy level. At the same time, verification challenges in financial intermediary subportfolios reflect, in large part, implementation constraints rather than the absence of formal requirements. IFC relies largely on client reporting, complemented by targeted supervision of selected subprojects, which contributes to documentation gaps and limits IFC's ability to independently verify E&S compliance in higher-risk financial intermediary subportfolios, consistent with the share of projects rated less than satisfactory or not ratable because of insufficient evidence.

Performance Shortfalls

ESAP implementation is closely associated with overall E&S performance. Shortfalls in E&S performance are closely associated with clients' partial implementation of requirements, with a strong correlation between IEG ratings of ESAP implementation and overall E&S performance (Spearman $\rho = 0.78$, $p < .001$; Kendall $\tau = 0.78$). IEG rated 28 percent of direct investment projects as partly unsatisfactory or worse on ESAP implementation, noting that a project can still receive a satisfactory rating on this indicator even when some ESAP items remain unmet because not all ESAP elements carry equal weight.

The most frequent E&S risks observed relate to wastewater management and worker protection. The team reviewed evaluation reports from 53 projects with low implementation ratings to identify the types of risks associated with ESAP shortfalls. The most common were water pollution and effluent discharge (42 percent of projects), occupational health and safety risks (34 percent), and ESMS implementation and reporting deficiencies (32 percent), followed by other risks such as air emissions and greenhouse gases (figure 3.6). Box 3.2 provides examples of these shortcomings. These patterns were often associated with challenges in implementing measures such as pollution control and worker protection, which can involve significant costs.

Figure 3.6. Risks Associated with Less-Than-Satisfactory Implementation of ESAPs



Source: Independent Evaluation Group.

Note: n = 53 direct investment projects with partly unsatisfactory or unsatisfactory ESAP implementation ratings. ESAP = Environmental and Social Action Plan; ESMS = environmental and social management system; GHG = greenhouse gas.

A small share of projects show signs of significant E&S challenges. It draws on both IEG performance ratings and the incidence of substantiated CAO complaints. IEG's data show that most clients improve their E&S performance with IFC's engagement, while a small share do not. IEG rated 11 of the 422 projects approved under the 2012 Sustainability Framework as unsatisfactory on E&S performance at maturity: about 4 percent of direct investment projects and 1 percent of financial intermediary projects received the lowest E&S ratings. A separate indicator is the share of projects associated with substantiated CAO complaints, which captures a different population and is introduced here as a point of reference. Use of this indicator shows that about 2 percent of projects approved between FY12 and FY25 were associated with complaints in which CAO confirmed noncompliance or E&S harm.

Box 3.2. Examples of Projects Rated Partly Unsatisfactory or Unsatisfactory on E&S Performance

Some projects were rated partly unsatisfactory or unsatisfactory on environmental and social (E&S) performance because of client challenges in implementing E&S requirements:

- **Health care expansion in Eastern Europe.** The International Finance Corporation (IFC) financed US$16.5 million of a US$26 million plan to expand diagnostic and treatment capacity. Screened as category B with Environmental and Social Action Plan (ESAP)–linked disbursements, the project stalled when a major hospital extension was postponed after it failed to secure life and fire safety certifications. By evaluation, key ESAP actions remained incomplete: wastewater exceeded limits, life and fire safety recommendations were not fully implemented, and emergency response capacity remained weak. While occupational health and safety indicators were acceptable, overall E&S performance under Performance Standards 1 through 4 was rated partly unsatisfactory because of gaps in monitoring, effluent management, and life and fire safety compliance. IFC's supervision was rated satisfactory, but limited client follow-through slowed remediation.
- **Bakery facility expansion in Latin America.** IFC provided a US$40 million loan for a US$89 million expansion, adding five production lines for toasts and sweets. The project was category B, with most ESAP items completed, but key environmental and social management system upgrades and the wastewater treatment plant lagged behind production growth. Supervision included Annual Monitoring Report reviews and site visits, yet pollution prevention performance remained partly unsatisfactory.

IFC supervision challenges also contributed in some cases:

- **Africa fintech expansion**. IFC invested up to US$40 million in equity to expand access to finance and mobile financial services in a category B project with an ESAP covering Performance Standards 1 through 4. A major scope change occurred when the company acquired another group. During implementation, supervision activities were limited: Annual Monitoring Reports were incomplete or waived, site visits were not conducted, and two worker fatalities were reported late with limited detail. Evidence on environmental and social management

(continued)

Box 3.2. Examples of Projects Rated Partly Unsatisfactory or Unsatisfactory on E&S Performance (cont.)

system implementation and compliance with Performance Standards 3 and 4 was insufficient, leaving aspects of resource efficiency and community safety unassessed.

- **Africa mining project.** IFC invested US$19.17 million in equity in a mine classified as category A because of high environmental and community risks. The client did not complete several ESAP actions, submitted only one limited Annual Monitoring Report, and made a design change that resulted in prolonged discharge of contaminants. Additional issues included delays in resettlement, biodiversity impacts, and irregular effluent discharge. Review evidence raises questions about whether the initial risk profile and supervision approach were adequate for the project context, particularly given constraints on site supervision during an epidemic. IFC subsequently pressed for corrective actions, including suspension of operations, but noncompliance persisted as the project moved toward bankruptcy.

Source: Independent Evaluation Group.

E&S Outcomes

IFC's monitoring emphasizes E&S actions and outputs rather than real-world outcomes, limiting visibility of E&S benefits. IFC tracks clients' progress primarily through ESAP implementation, site visits, and risk ratings, but it does not track E&S outcomes—the changes experienced in communities, ecosystems, and workplaces as a result of IFC-supported investments. Outcomes may be positive (such as improved worker safety or reduced pollution) or negative (including land and livelihood impacts, biodiversity loss, or community health and safety risks). IFC's Anticipated Impact Measurement and Monitoring framework also does not systematically track these outcomes because meeting the Performance Standards' requirement is considered the baseline in the Anticipated Impact Measurement and Monitoring context unless there are additionalities. The evaluation's review of Anticipated Impact Measurement and Monitoring indicators across 50 projects identified only seven indicators in 7 projects that tracked E&S outcomes relevant to the Sustainability Framework, mostly related to greenhouse gas emissions. Some IFC clients collect outcome data because of national regulations or voluntary environmental, social, and governance reporting—such as fatalities, injuries, emissions, waste, or complaints—but this information is often partial, aggregated at the company level, or inconsistently defined, making IFC's contribution difficult to assess. More systematic outcome monitoring could increase client awareness of the benefits of effective E&S management and potentially strengthen incentives to sustain systems after IFC's exit. However, portfolio-wide outcome tracking faces substantial methodological and practical constraints, including missing baselines, long time horizons, reliance on perception-based social data, strong influence of external factors, and nontrivial costs relative to project size—limitations widely recognized in the evaluation literature and echoed in interviews and case studies.

Publicly available information on E&S outcomes is skewed toward negative cases. IFC does not publicly disclose systematic E&S outcome data for its portfolio, whereas CAO cases (which, by design, document realized harm) are fully public. This creates an imbalance in accessible evidence, with detailed and wide reporting on negative outcomes and limited visibility for positive ones. IFC has not systematically counterbalanced this asymmetry with public reporting on favorable E&S outcomes or on overall development impacts.

Positive outcomes typically arose where risks were identified early, clients integrated E&S measures, and IFC maintained active engagement and follow-through on agreed-on actions. The case studies identified numerous E&S outcomes, although the evaluation found it difficult to assess the balance of results or the extent of IFC's positive E&S contributions because of the aforementioned information gaps. Environmental outcomes were generally easier to observe and document than social ones. Outcomes followed the risk mitigation hierarchy, from risk avoidance (rerouting to prevent displacement) to risk mitigation (investments in safety, pollution control, and noise abatement) and compensation or restoration (support to affected vendors or households):

- Risk avoidance. In Gabon, rerouting a railway alignment avoided contested land and displacement by incorporating civil society concerns at an early stage. In Jordan, IFC required a wind farm developer to relocate turbines away from a nearby village before construction, thereby preventing community impacts and eliminating the need for compensation. In Viet Nam, ring-fencing green loan proceeds and applying exclusion criteria helped support the avoidance of higher-risk activities. In a large airport expansion, IFC linked initial disbursement to early installation of noise-reduction measures, giving the client strong incentives to act before impacts materialized.

- Risk mitigation. A manufacturing plant in Kenya had no formal occupational health and safety procedures in place. The project had to design a supply chain management plan for addressing significant safety risks and preventing child labor in scrap collection. The procedures include requirements to conduct annual sensitization sessions with the selected scrap dealers to mitigate child labor and safety risks. However, the project had still not adequately addressed the occupational health and safety risks, particularly in the upstream scrap metals supply chain, despite IFC raising the issue and suggesting corrective actions.

- Compensation or livelihood restoration. In Colombia, IFC worked with concession companies in a transport public-private partnership to develop resettlement action plans and compensation frameworks that went beyond national legal requirements, including assistance for informal vendors and tenants affected by temporary resettlement or construction-related access disruptions. Local stakeholders reported that these measures improved transparency, access to grievance mechanisms, and perceptions of fair treatment, helping the project maintain its social license to operate.

Weak implementation of E&S requirements was associated with adverse outcomes in some cases. For example, in Myanmar, a leasing operation associated with tobacco-related activities proceeded after the investment was classified as low E&S risk, leading to more limited appraisal and supervision of downstream impacts. In Belarus and Brazil, incomplete appraisal was associated with impacts on land and Indigenous Peoples. In the Arab Republic of Egypt, wastewater treatment upgrades were delayed because of shifting client priorities. In India and Nigeria, life and fire safety gaps persisted where necessary investments were delayed and concerns were not consistently escalated during supervision. In Liberia, Myanmar, and Pakistan, compensation and livelihood support were incomplete, reflecting a combination of legal constraints, limited client commitment, and resource gaps. These examples suggest that adverse outcomes are more likely where ESAP implementation is incomplete and escalation during supervision is limited.

Determinants of Performance

E&S performance in IFC-financed projects depends on a client's commitment and capacity for E&S management and IFC's support during appraisal and supervision. The Sustainability Framework assigns clients the responsibility for adhering to the Performance Standards, while IFC is accountable for setting high-level principles and monitoring implementation under the Policy on E&S Sustainability and for publicly disclosing project information under the Access to Information Policy. Clients' implementation gaps—caused by weak capacity, knowledge, incentives, or management commitment—can undermine compliance and effectiveness, especially where responses during supervision are not timely or sufficient, as illustrated in the Africa fintech example in box 3.2. These weaknesses arise during implementation rather than from gaps in the Sustainability Framework's requirements.

Client capacity and country context shape how well the client implements IFC's requirements. The evaluation team's interviews and case studies found that IFC's monitoring was easier and more collaborative when clients had strong internal E&S teams and countries' regulatory environments aligned with IFC standards. In Türkiye, large banks and corporations had the capacity to maintain robust ESMSs and provided regular reporting. A fund focused on sustainable environmental opportunities in Asia hired two full-time ESMS managers, implemented annual audits, and followed through on corrective actions. While some occupational health and safety incidents—that is, adverse outcomes—occurred, they were addressed promptly. Smaller financial intermediaries and agribusiness clients who were interviewed in Guatemala and India struggled with data quality and timely compliance. Clients often expressed a need for more tailored guidance and capacity-building support, particularly for small and medium enterprises and clients in markets with weak regulatory frameworks, to help them translate their

E&S engagement with IFC into real improvements rather than partial or compliance-focused implementation.

IFC's E&S support to clients is associated with E&S performance in a statistically significant manner. Specifically, projects in which IFC clearly outlined and fulfilled its intended E&S additionality saw greater improvements in clients' E&S performance over time. This is particularly true when clients lack adequate E&S capacity at appraisal. The evaluation team's econometric analysis of the Expanded Project Supervision Report validation data found that projects rated positive on IFC's E&S additionality—that is, IFC's involvement in that project clearly added value or IFC successfully delivered the E&S additionality outlined in the project's Board paper—were significantly more likely to achieve strong E&S performance and to improve over time (appendix A). This relationship held across both direct investment and financial intermediary projects. This finding resonated across the evaluation case studies, in which IFC staff and clients praised IFC's appraisal process for its ability to identify risks early, set a high bar for E&S risk management, and support the development of detailed ESAPs—which in turn provide strong compliance foundations. The finding was echoed in the project reviews. For example, in the fund project focused on sustainable environmental opportunities in Asia, IFC set conditions for strengthening the fund's ESMS—including leadership appointments, policy revisions, staff training, and GRM enhancements—and maintained close engagement with joint monitoring missions and technical assistance. The econometric analysis also indicated that high-quality IFC work at appraisal and supervision was positively associated with performance, particularly in financial intermediary projects. However, client organizational capacity at approval did not consistently predict better outcomes and, in some models, was negatively associated with improvement over time. These findings demonstrate that IFC's own role and engagement may be stronger drivers of E&S success than client readiness alone (box 3.3).

Box 3.3. Importance of the IFC E&S Additionality and Client Capacity in the Econometric Findings

The rating on International Finance Corporation (IFC) environmental and social (E&S) additionality is based on the following factors: (i) the E&S support, or additionality, that IFC outlined in the project's Board of Executive Directors paper (the document underpinning a project's formal approval); (ii) whether IFC successfully delivered that support; (iii) whether IFC supported clients in improving their E&S management system and building E&S capacity; (iv) whether IFC contributed to identifying and mitigating E&S risks; and (v) whether IFC contributed to introducing additional E&S improvements, such as carbon trading or energy efficiency measures. A positive rating indicates that IFC fulfilled or exceeded its commitment.

The econometric analysis finds positive and statistically significant coefficients for IFC's E&S additionality in both direct investment and financial intermediary projects. This finding indicates that IFC's E&S support to clients is correlated with better E&S performance and a higher likelihood of projects improving their E&S performance between appraisal and maturity.

The indicator of client capacity measures a client's ability to implement an E&S management system, including assigning roles, providing adequate resources, and ensuring that staff have the necessary skills at appraisal. Projects with high client capacity at appraisal typically achieve strong initial E&S performance, leaving less room for further improvement by the time of evaluation. This is reflected in the econometric results: a higher rating for client capacity at appraisal is associated with smaller gains in E&S performance over the project life cycle, simply because these projects start out well prepared and face a ceiling effect.

The interaction between IFC's additionality and client capacity is not statistically significant for either direct investment or financial intermediary projects, meaning there is no statistically clear differential in the effectiveness of IFC support to high- and low-capacity clients. Overall, the analysis shows that IFC's engagement is associated with E&S performance improvements.

Source: Independent Evaluation Group.

IFC's hands-on E&S support has clear added value. Evidence across regions shows consistently positive contributions to client outcomes when IFC provides early and sustained engagement—through tailored workshops, technical guidance, and practical tools delivered either through advisory services or as part of monitoring. Such support helped clients build ESMSs, implement ESAPs, and institutionalize good practices. In Colombia and Guatemala, for example, advisory support strengthened GRMs and stakeholder engagement, turning what could have remained project-specific requirements into organization-wide systems. Most clients interviewed for the evaluation (67 percent) valued IFC's constructive engagement and the tools it provided. Case studies indicate continued demand for more tailored guidance and capacity-building support, particularly for small and medium enterprises and clients in markets with weaker regulatory frameworks, and for access to IFC expertise on complex risks such as labor or biodiversity.

Remote or infrequent E&S supervision and monitoring can limit timely identification and response to risks, particularly in contexts with constrained client capacity or less-familiar risk areas. In a dairy farm project in Africa, IFC identified key E&S risks at appraisal and required corrective actions through an ESAP, but follow-through during implementation was limited. The client did not establish core environmental, health, and safety systems or fully implement required procedures for waste management, chemical handling, transport safety, or structural and fire safety. Supervision did not consistently verify completion of ESAP actions or ensure submission of monitoring reports, and significant noncompliance persisted at evaluation. In a Russian Federation fund project (approved before sanctions), improvements in ESMSs were only partial, and gaps in monitoring and documentation limited verification of portfolio-level E&S performance.
The GBV deep dive found that clients in two pharmaceutical projects were slow to respond to corrective action requests, and escalation during supervision was limited. Both projects experienced persistent adverse incidents, raising concerns about how effectively E&S requirements are enforced when noncompliance continues.

Specialist GBV support during supervision can identify material risks that standard appraisal and monitoring tools may miss and thus can result in timely corrective action. Many GBV risks are relatively newly reflected in

E&S practice and are not always well understood by clients or nonspecialist staff. IFC projects typically receive limited specialist GBV input during implementation, with support often focused on desk reviews for higher-risk projects and mediated through investment teams. Although IFC has strengthened its expertise related to GBV in recent years, specialist resources remain stretched across the portfolio. Evidence from the GBV deep dive shows that closer involvement can uncover previously unrecognized risks and strengthen corrective actions. In one off-grid solar project, targeted specialist engagement helped identify gaps in coverage beyond direct employees and led to expanded GRM, training, and safety protocols across worker groups.

Clients are most likely to sustain positive E&S outcomes when IFC maintains active implementation support throughout the investment period. Evidence from Project Performance Assessment Reports shows that early improvements from IFC engagement can weaken over time when supervision shifts toward client self-reporting and desk-based review. In such cases, follow-up on reporting, incident notifications, and corrective actions can be slower, and some issues remain unresolved for extended periods. In contrast, cases where IFC maintained active engagement—including pressing for supplier audits or corrective measures—showed stronger and more sustained implementation outcomes, highlighting the importance of continued support beyond appraisal.

4 | Implementation Arrangements

Highlights

The International Finance Corporation has expanded its environmental and social staffing and applies risk-based supervision, but workload intensity, compressed timelines, and access to specialized expertise affect the consistency and depth of supervision, monitoring, and hands-on client support. Evidence from validations and staff interviews points to gaps in timely risk reassessment and the intensity of site supervision in some projects.

Monitoring is concentrated in higher-risk projects, but gaps in documentation and uneven client reporting—particularly for complex social risks—limit consistent assessment of implementation and tracking of Environmental and Social Action Plan commitments across the portfolio.

Disclosure and grievance redress mechanisms are widely established, but their quality and use are uneven. Information disclosed during implementation is often insufficient to track progress or emerging risks, and grievance redress mechanisms do not consistently generate evidence on use, responsiveness, and resolution, limiting early problem identification and accountability.

The International Finance Corporation's learning on environmental and social issues is often shaped by high-profile cases and reactive processes, while systematic use of supervision data and documentation to identify recurring issues and inform forward-looking improvements remains limited.

In joint operations with the World Bank, the International Finance Corporation relies on project-specific coordination arrangements. In the absence of shared tools or clearer procedures, this coordination can increase transaction costs, lead to some duplication of processes, and reduce clarity on roles and responsibilities for clients and staff.

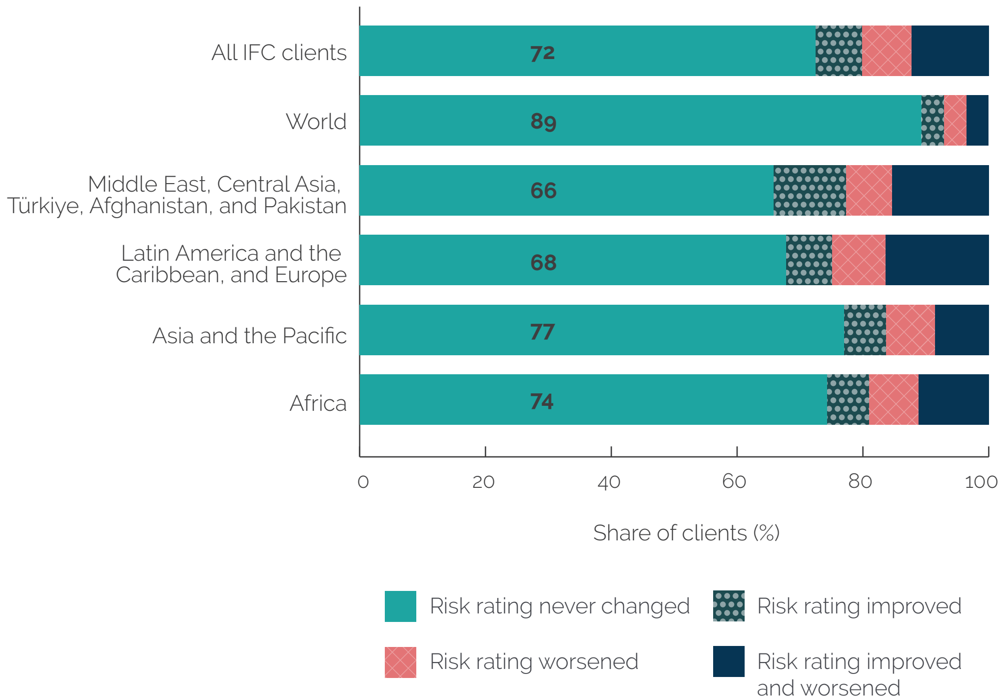
This chapter presents findings on IFC's implementation arrangements, including E&S monitoring, staffing, client perceptions, reporting, disclosure, data systems, and learning. It finds that IFC has expanded E&S staffing and applies risk-based supervision, but implementation remains uneven, reflecting inconsistencies in how supervision intensity is implemented in practice across similar risk contexts, the timeliness of risk reassessment, and the consistency of documentation and client reporting. Monitoring and adaptive management are affected by workload pressures and variation in the quality of available information, while GRMs and learning systems do not consistently support early problem identification or forward-looking improvement.

IFC's Monitoring and Staffing

IFC has a well-established, data-driven risk rating system to calibrate E&S monitoring by project risk, but design limitations reduce its usefulness for tracking performance and informing decisions over the project cycle. At appraisal, IFC uses a three-tier risk classification system based on up-front due diligence, and these classifications remain fixed over the life of the project. By contrast, the World Bank's ESF uses a four-tier system in which project risk classifications can be revised during implementation. IFC's up-front system places most projects—about 70 to 80 percent—in the middle category, creating a broad and internally heterogeneous group of medium-risk projects. During implementation, IFC uses internal E&S risk ratings (ESRRs) at the client level to calibrate the depth and frequency of monitoring. ESRRs are based on the performance and outcomes of IFC-financed projects, and ratings of 3 or 4 are intended to signal underperformance and trigger heightened scrutiny. These ratings also generate a high-risk flag, which requires additional review before a client can be considered for new investments. However, because ESRRs are assigned at the client rather than project level, they are less well suited to tracking performance for individual projects over time, particularly where a client has multiple operations with different E&S risk profiles. The World Bank also uses E&S performance ratings during implementation to inform escalation and enhanced supervision, but these are applied at the project level.

IFC generally uses risk ratings as intended, but they do not always provide a timely or sufficiently granular signal of changing project risks. According to IEG validation, IFC's initial E&S categorization of projects (A, B, and C, and for financial intermediaries, FI-1, FI-2, and FI-3) is appropriate in 99 percent of cases. These categorizations differ from ESRRs, which are dynamic tools used after disbursement to assess risk during implementation. Among the 1,959 unique clients with ESRRs, 73 percent did not experience a rating change, while 28 percent had changes at some point. This pattern suggests that IFC staff use ESRRs primarily to signal material underperformance and trigger escalation rather than as a more continuous indicator of changing underlying risk (figure 4.1). Interviews also suggest that ESRRs are not always adjusted in a timely way. As one staff member in East Africa noted, "The ratings do not reflect what is actually happening on the ground—they are just static labels." Interview evidence suggests that staff may face disincentives to adjust ratings in either direction: upward revisions trigger additional oversight and approvals, whereas downward revisions can require substantial reassessment, reporting, and verification. As a result, ESRRs are less effective than intended as a tool for tracking changes in risk over the project cycle.

Figure 4.1. E&S Risk Ratings at a Client Level Often Change During Supervision, Underscoring the Need for Adaptive Monitoring



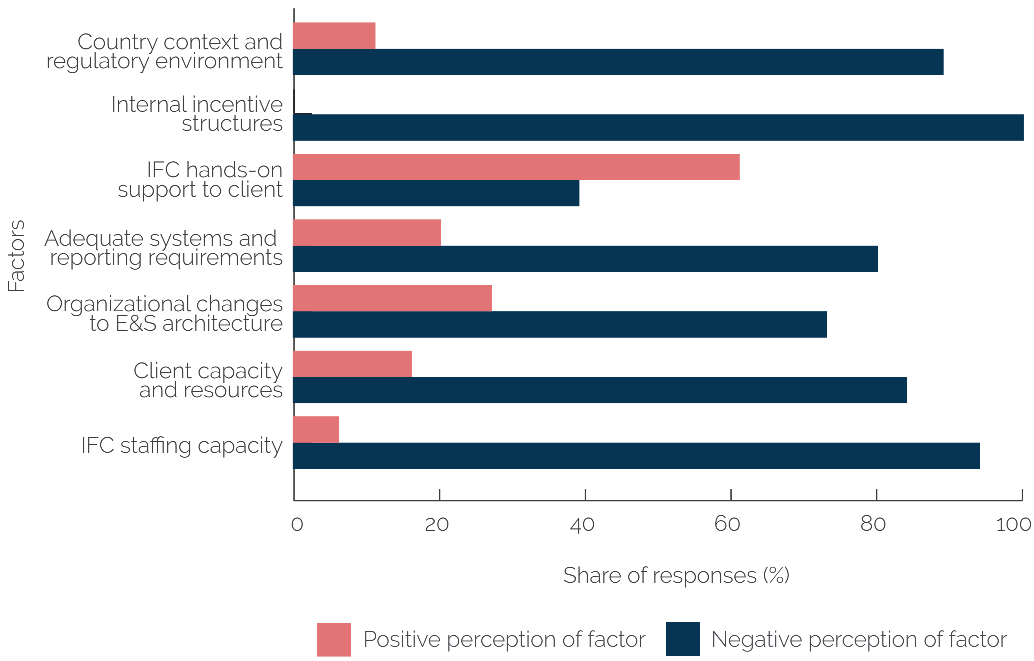
Sources: Independent Evaluation Group; International Finance Corporation.

Note: E&S = environmental and social; IFC = International Finance Corporation.

Tight appraisal timelines and incentive structures constrain the depth of E&S due diligence, with implications for risk identification. E&S specialists operate within compressed appraisal schedules linked to investment targets, which can limit the time available to assess risks and client capacity in complex projects. Interview evidence indicates that these pressures can affect the completeness and depth of due diligence and make it more challenging to meet expected standards consistently. Incentives also shape this process: investment teams are primarily evaluated on deal origination and delivery, while E&S specialists are responsible for risk management, creating tensions in how time is allocated during appraisal (figure 4.2).

The increased use of remote due diligence during COVID-19 illustrates the importance of engagement modes for assessing risk and client capacity. For some lower-risk projects, IFC relies on virtual reviews and consultant reports, which can limit direct observation and engagement. These practices became more widespread during the COVID-19 pandemic, when travel restrictions constrained field-based due diligence and coincided with a decline in ratings for projects evaluated in 2020 and 2021. Case evidence suggests that remote engagement can affect the accuracy of risk identification and the realism of ESAPs in certain contexts. For example, in a project in Viet Nam, remote interactions contributed to an overestimation of client capacity and to the identification of risks that proved difficult to manage in implementation. IFC subsequently downgraded the ESRR to reflect emerging risks, but the client has continued to face challenges in meeting agreed-on requirements.

Figure 4.2. Staff Identify Capacity, Systems, and Client Factors as Key Constraints on Consistent Implementation



Source: Independent Evaluation Group.

Note: E&S = environmental and social; IFC = International Finance Corporation.

E&S risk monitoring shows gaps in coverage, quality, and follow-up. IFC tracks "knowledge gap" projects—those with outdated or missing risk ratings—indicating incomplete visibility of active E&S risks. Over the evaluation period, the share of such projects remained small, averaging 4 percent and peaking in FY25 with a 7 percent knowledge gap, suggesting that some medium- and high-risk projects lack up-to-date monitoring information.

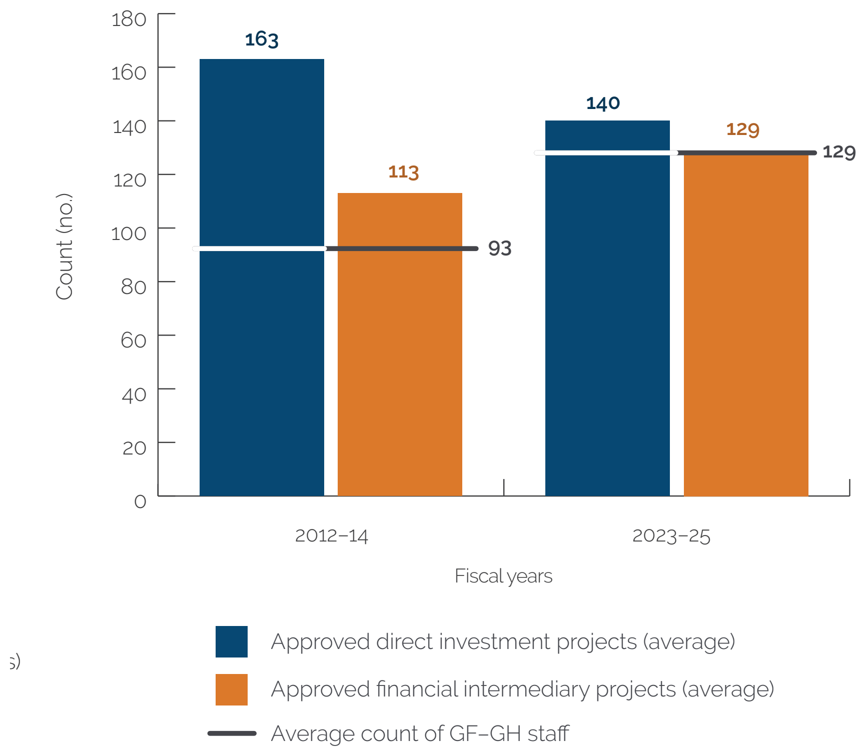
Further, IEG ratings identify quality gaps in monitoring and communication. IEG rated E&S site supervision and client communication less than satisfactory in 16 percent of financial intermediary projects (n = 167) and 12 percent of direct investment projects (n = 205). IFC's desk reviews of client annual reports also fall short in flagging gaps and communicating risks in 10 percent of direct investment projects (n = 200) and 6 percent of financial intermediary projects (n = 194). Follow-up on identified gaps remains uneven. When monitoring identifies issues requiring client action, IFC's follow-up and tracking are less than satisfactory in 16 percent of financial intermediary projects (n = 168) and 11 percent of direct investment projects (n = 203), according to IEG ratings, pointing to weaknesses not only in risk detection but also in closing the loop on E&S risk management.

Capacity constraints contribute to delays and uneven intensity in E&S supervision. E&S staff in Africa, Asia, and other regions reported being heavily overloaded with other tasks and unable to respond promptly to client needs or conduct necessary field supervision. There are large backlogs for staff in reviewing clients' annual E&S reports, with 31 percent of projects in Asia and 26 percent in Africa having backlogs as of July 2025. According to IFC's monthly E&S performance report, half of all projects have one or more ESAP actions overdue, which can be due to clients' delays or E&S staff backlogs that lead to slow follow-up and updating of internal data. Interviews and expert consultations indicated that due diligence on social risks requires skill sets that differ from those used in environmental assessments and that gaps in expertise in specific social risk areas within IFC may contribute to weaknesses in the identification and implementation of measures to manage social risks.

Monitoring gaps are closely linked to supervision intensity and documentation practices. IEG validation indicates that weaknesses in project monitoring are often associated with limited site supervision visits and incomplete documentation. Peer comparison provides context: several MDBs have formalized differentiated and adaptive supervision approaches across instruments and risk categories, whereas IFC relies more on guidance, key performance indicators, and staff judgment to calibrate supervision intensity. This approach allows flexibility but places greater weight on available resources and staff judgment, which contributes to recurring gaps in supervision intensity, documentation, and follow-through.

Workload pressures and staffing patterns affect supervision continuity and quality. IFC has increased its core E&S specialist cohort by approximately 38 percent—from 93 staff in FY12–14 to 129 in FY23–25 (figure 4.3). The number of new project approvals (excluding low-risk ones) stayed relatively constant over the period, excluding the COVID-19 years, while other indicators of workload, such as the number of client visits per staff, stayed roughly constant between FY21 and FY25 (more data are available for those years). Yet work allocation across regions is unbalanced. In FY25, staff in Africa and in Asia and the Pacific averaged 9 or 10 operational trips per core staff member, more than double the average for staff in Europe and Latin America and the Caribbean. Likewise, Africa, Asia, and the Pacific manage more high-risk projects per staff than other regions, yet E&S specialists reported persistent overwork, with 93 percent of IFC staff identifying workload as a key constraint on staff capacity (figure 4.2). Evidence from IFC regional hubs in at least three of IEG's five case studies indicates that staff supervise large portfolios, which can make it difficult to conduct thorough site visits or track emerging risks (staff workload pressure appeared to be a lesser concern in two other hubs). Moreover, E&S staff cover a wide set of risks, including GBV and other social risks, where levels of specialized expertise may vary. Currently, four GBV regional specialists cover all nine subregions, with only a single specialist responsible for three subregions within Africa. For comparison, the World Bank assigns two GBV specialists to each region. These workload pressures can affect the consistency of IFC's monitoring and increase the likelihood that E&S performance gaps remain unaddressed. Short-term consultants have played a crucial role in supporting E&S staff over the evaluation period. During the evaluation period, the ratio of short-term consultants to core E&S staff rose steadily, peaking at 1.15 to 1 in FY24, before dropping rapidly to 0.65 to 1 in FY25, with the number of core E&S staff increasing over the same period. Though short-term contractors are still a core component of E&S capacity, the World Bank Group's phasing out of this contract type is likely to present new challenges.

Figure 4.3. E&S Staff Numbers and Caseloads



Sources: Independent Evaluation Group; International Finance Corporation.

Note: The figure shows medium- and high-risk approved projects and the number of International Finance Corporation E&S staff at grades GF–GH (specialist, senior specialists, and principal specialists, excluding managers and above). Project counts do not account for potential changes in project complexity. E&S = environmental and social.

GBV monitoring has experienced gaps and delays, along with uneven follow-up. The GBV assessment of 25 projects found that when ESAPs included GBV measures, nearly half the measures were overdue to be achieved, and delays of more than two years were not consistently escalated for managerial attention. Only a few (2 out of 25) projects showed evidence of corrective action. Monitoring support by GBV specialists largely focuses on projects identified as higher risk. However, specialists can waive GBV screening during project review where risks are assessed as not applicable, suggesting that some projects may receive limited attention to GBV risks during implementation.

The IFC's E&S Corporate Restructurings

IFC implemented two major reorganizations of its E&S function in 2019 and 2024 that reshaped roles, reporting lines, and the balance between global expertise and regional delivery. The 2019 reorganization created a separate Corporate Environmental and Social Department as a second line of defense, while shifting operational responsibility more fully to regional teams, with global sector lead roles continuing to provide technical leadership, quality assurance, and cross-sector consistency until 2024. The Corporate Environmental and Social Department operated in a complementary, risk-based role focused on higher-risk projects, portfolio oversight, and systemic learning rather than replacing first-line operational functions. While the reorganization altered established arrangements for knowledge sharing and coordination, its objective was to strengthen independent oversight and compliance while maintaining operational delivery capacity.

The 2024 reorganization partly strengthened regional ownership and sectoral expertise at the regional level, but it introduced transition challenges of its own. IFC moved regional E&S teams under regional vice presidential units, reintegrated operational functions with risk and policy, and introduced regional industry leads. At the same time, the transition required staff rotations, new management arrangements, and substantial onboarding, and another reorganization was announced before a full process to identify lessons learned could take place. Interview evidence points to concerns that concentrating senior expertise at headquarters reduced field-based support, increased reliance on standardized compliance tools, and required more frequent escalation to headquarters, which slowed decision-making and reduced responsiveness to clients. Staff interviews reflected broadly negative perceptions of these changes (figure 4.2). These developments were followed, after the evaluation's data collection had ended, by a new integrated Bank Group E&S governance structure across the International Bank for Reconstruction and Development, the International Development Association, IFC, and the Multilateral Investment Guarantee Agency.

Taken together, the two reorganizations offer lessons on how to balance oversight, expertise, and operational support. The 2019 experience suggests that creating a second line of defense can weaken operational quality if it reduces access to sectoral specialization at a regional level, knowledge sharing, and timely decision-making in the first line. The 2024 experience suggests that decentralizing responsibility requires deliberate transition support, including continuity of expertise, onboarding capacity, and clear accountability arrangements, or the intended benefits of regional ownership may be offset by implementation disruption.

A tendency toward more cautious engagement in higher-risk projects is an unintended consequence of current implementation pressures. The Sustainability Framework is intended to enable IFC to manage E&S risks in challenging contexts, yet interviews indicate that IFC sometimes avoids projects with more complex E&S risks, especially where ring-fencing cannot clearly define the scope of IFC-financed activities. This pattern appears most clearly in projects involving Indigenous Peoples, resettlement, and other complex social risks. Staff and managers interviewed linked such caution to reputational concerns, the prospect of complaints to the CAO, the higher transaction costs of managing complex risks, and the difficulty of managing risks under existing workload and business pressures. In practice, this caution can favor medium-risk projects, including financial intermediary operations with a defined use of proceeds. Similar patterns have been noted in other DFIs. Although such caution is understandable, it runs counter to the Sustainability Framework's intended role of enabling responsible investment in contexts where development impact may be greatest.

Client Experiences with Implementation

Clients highlighted the importance of earlier communication of requirements and better recognition of past performance. Some infrastructure clients reported that new requirements introduced during construction, often in response to emerging risks, were not always anticipated at earlier stages. Long-standing clients with more developed ESMSs also questioned why follow-on investments did not consistently reflect prior performance through more streamlined and predictable processes. These concerns reflect how current policies are applied in practice, as they generally require project-level due diligence regardless of past performance. At the same time, IFC does apply some flexibility for established clients, although new project locations or activities typically require full assessment. Overall, the need for clearer early engagement and more predictable application of requirements was a recurring theme in interviews.

Proportionality remains a concern for smaller and midsize clients with limited E&S capacity. Proportionality is intended to align requirements with risk while taking account of client capacity, but clients in several countries reported that documentation requirements, multiple reporting channels, and detailed studies can be difficult to manage with limited internal resources. ESAPs containing numerous actions for relatively modest investments were cited as particularly challenging, especially where timelines are tight or local regulatory requirements are less demanding. Both staff and clients emphasized the need for clearer application of proportionality in practice. Examples raised include more consistent guidance on determining the depth of assessment required in different contexts and better alignment of requirements with client capacity and the level of IFC leverage.

Clients reported that administrative requirements can be demanding to implement. Smaller clients in particular described documentation and reporting processes as time-consuming, and some stakeholders indicated that perceived compliance burdens may influence financing choices, although the scale of this effect is not clear. Some clients suggested that existing certifications or established ESMSs should allow for more streamlined processes; however, IFC generally applies project-specific due diligence regardless of prior certifications. Both clients and staff noted that administrative demands are most pronounced where IFC requirements exceed national regulations. These burdens can evolve over time, as illustrated by financial institutions in Türkiye, where IFC and other MDB requirements have become more aligned with market practice, and associated compliance costs are increasingly treated as a standard component of doing business.

Most clients interviewed also recognized the benefits of implementing IFC's requirements. Clients cited improvements in occupational health and safety, stronger management systems, reputational gains, and, particularly for financial institutions, greater readiness for future regulation and engagement with other DFIs. Many also highlighted IFC's technical support, training, and tools as important contributors to building longer-term E&S capacity.

E&S Reporting and Grievance Redress

There are often gaps in the quality and completeness of client E&S reporting. Clients with E&S risks are required to submit annual reports using standardized templates incorporated into legal agreements; however, case evidence indicates that these reports do not always provide sufficient information to assess implementation. In some cases, reporting requirements are more limited (for example, for certain publicly listed companies), while in others clients do not report fully with regard to agreed-on requirements. Both situations can limit IFC's ability to monitor implementation effectively.

Structural features of IFC's reporting and review processes can delay the identification of E&S issues during implementation. Reviews depend in part on client reporting cycles, which often create a lag between the occurrence of issues and their identification. For example, clients typically submit annual reports several months after the reporting period, with IFC reviews occurring thereafter, which can delay the visibility of emerging risks. Additional delays arise from internal workflows, including time required for review, documentation, and system updates. These factors contribute to a more retrospective monitoring process and can limit IFC's ability to identify and respond to risks in a timely fashion.

Gaps in GBV-related reporting reflect broader reporting challenges but are more pronounced in this area. The GBV review found that reporting on ESAP measures focuses primarily on completion of actions rather than on evidence of functionality or outcomes. In a detailed review of 25 projects with GBV-related actions, none of the supervision documents provided qualitative evidence on how these measures were implemented in practice. There was no documented evidence of systematic testing or verification of GRMs with specific channels for GBV-related reporting. At the portfolio level, information on GBV mitigation is not consolidated in a way that allows straightforward tracking across projects, requiring project-by-project review to assess progress. These factors limit oversight, learning, and the identification of recurring gaps across operations.

Reliance on client self-reporting limits insight into the effectiveness of worker GRMs. GRMs are intended to support early problem identification and accountability, but available reporting largely documents their establishment rather than their use or effectiveness. In a review of 34 projects with relevant commitments, reporting rarely included information on grievances raised, response times, or remedial actions, including in higher-risk operations. Evidence shows that implementation varies across projects, with some mechanisms functioning as intended and others showing partial or limited use. Factors cited include incomplete operationalization of procedures, limited communication to workers, and barriers to use in some contexts. As a result, available information provides only partial insight into the functioning and effectiveness of these mechanisms.

Community GRMs are implemented and monitored less consistently. While these mechanisms are intended to provide accessible channels for affected communities to raise concerns and seek remedy, case evidence indicates that they are sometimes established late in the project cycle and used more reactively rather than as part of preventive risk management. Reporting on community GRMs is often limited, with little information on grievances received, resolution processes, or outcomes. As with worker GRMs, gaps in reporting constrain IFC's ability to both assess whether these systems are known, accessible, and effective and use them as an early warning tool.

GRMs intended to address GBV are often established in form but are not consistently monitored for effectiveness. Analysis of projects with GBV-related actions indicates that supervision and documentation focus primarily on the existence of mechanisms rather than on whether they are accessible, confidential, and able to address GBV-related complaints. Detailed review of 25 projects found limited evidence in project documentation on the implementation of survivor-centered procedures, referral pathways, or the use of these mechanisms in practice. This lack of evidence limits IFC's ability to assess how effectively GBV risks are managed during implementation.

IFC has introduced a management-led grievance redress response mechanism, but its use and visibility remain limited. In response to audit recommendations and evolving practice among MDBs, IFC launched a direct complaints mechanism in 2024 that allows affected people to submit E&S concerns directly to IFC or through CSOs as an alternative to project-level GRMs. Early experience indicates increasing use, with a rise in registered complaints. However, interviews and stakeholder consultations suggest that awareness of the mechanism among clients and civil society remains uneven, and the mechanism's role and processes are not yet clearly understood. IFC maintains internal reporting on complaints, but external reporting is limited, which reduces transparency and makes it harder for stakeholders to assess how the mechanism functions in practice.

E&S Disclosures

IFC consistently complies with preapproval disclosure requirements, but transparency around the use of exceptions is limited. IFC requires disclosure of project-specific E&S assessment and management information—including identified risks and proposed mitigation measures—60 days before Board approval for category A projects and 30 days for category B projects, unless an exception applies under the Access to Information Policy. An IEG review found that more than 99 percent of category A and B direct investments (n = 1,314) were disclosed within the required time frames or delayed in accordance with policy provisions. The most common exception relates to market-sensitive financial information. However, IFC does not systematically notify the public when delays are applied or provide a rationale for such delays, which limits stakeholder visibility into how exceptions are used. In some cases, disclosure decisions are made within business units without consistent involvement of E&S or Access to Information Policy functions. These issues relate to how disclosure requirements are implemented and governed in practice, rather than to gaps in IFC's Access to Information Policy.

Most preapproval disclosures include E&S information, but the depth and completeness of disclosed content vary. IFC policy requires disclosure of project-specific E&S assessment and management information, including identified risks and proposed mitigation measures, as well as environmental and social information and, where applicable, Environmental and Social Impact Assessments. The evaluation found that required disclosure documents are generally published, but the level of detail provided is uneven. A review of 150 high- and medium-risk projects found that all projects disclosed a Summary of Investment Information or an Environmental and Social Review Summary, but only 61 percent provided detailed information on project-specific E&S risks. Among direct investments, a higher share of projects disclosed detailed risks and mitigation measures, whereas financial intermediary disclosures more often focused on client systems and capacity. Across both types of projects, disclosures often did not clearly describe the nature, scale, or location of potential adverse E&S impacts, limiting the ability of affected communities to understand how projects may affect them. In addition, only 17 percent of category A and B projects in the sample (n = 15) disclosed an E&S Impact Assessment. Interviews indicated that decisions on E&S Impact Assessment disclosure are not always made in consultation with the Access to Information Policy unit. These patterns suggest variation in the application of disclosure practices rather than gaps in formal policy requirements.

IFC does not consistently meet its post-Board disclosure commitments, with limited reporting on progress against ESAP actions and lack of transparency where exceptions have been applied. In IEG's review of a sample of 150 project public disclosure portals, only 34 percent of applicable projects (n = 44 of 131) provided an up-to-date implementation status of ESAP items, despite a policy commitment. The review found that projects generally omitted ESAP updates because of data system setup, which prevents the disclosure team from editing many closed projects, or a lack of updated information shared from IFC portfolio teams. Staff indicated in interviews that both these issues are being addressed by improved practices for recent active projects, with data now automatically updating from ESG360 and active follow-up with portfolio teams. For the 19 projects to which the Access to Information Policy requirement does not apply, the portal explicitly stated when no ESAP was required for a project (n = 14) but did not indicate whether a project had a supervision waiver or zero balance (n = 5). For projects that provide a status update in compliance with Access to Information Policy requirements (n = 44), no additional context or details are typically provided (n = 40), although these remain in compliance with current IFC policy. By contrast, some nonsovereign ADB projects disclose an Annual Monitoring Report that includes additional details on the implementation of agreed-on E&S action items and information on noncompliance and corrective actions.

IFC's commitments on financial intermediary subproject disclosure are ambitious, but implementation is uneven, particularly for commercial bank clients. In 2020, IFC introduced requirements to disclose selected information on financial intermediary subprojects, including name, sector, and location, in certain cases. These disclosures provide limited project-level information and do not offer comprehensive visibility of subproject risks or E&S performance. The 2025 DFI Transparency Index identifies IFC as the only DFI to have made such commitments and views this as a positive feature of IFC's financial intermediary subinvestment policy (Publish What You Fund 2025). IFC has largely met these commitments for private equity fund investments, achieving disclosure compliance of about 95 percent across its portfolio. Implementation has been more challenging for commercial bank clients, reflecting operational constraints such as the need to obtain subborrower consent and the structure of bank lending. These challenges do not necessarily indicate noncompliance, as disclosure requirements depend on project characteristics and legal provisions, and IFC's ability to verify client-reported information is limited in some cases. Overall, the evidence points to a tension between disclosure ambitions and the practical constraints of financial intermediary operations.

IFC's Data Systems

IFC's new E&S data platform, ESG360, seeks to address data fragmentation in E&S records. During the evaluation period, IFC began migrating E&S information previously stored across multiple platforms—primarily ESGDocs and iPortal—into a single system to consolidate data entry and retrieval and to support portfolio monitoring. As with many large institutional transitions, this process has involved some implementation challenges. For projects migrated from legacy systems, information is sometimes incomplete or transferred as PDF documents rather than fully integrated into ESG360's structured data fields. This issue is less evident for newer projects entered directly into ESG360 but persists for a significant share of the active portfolio.

Design and usability challenges in ESG360 further weaken data quality. ESG360 captures E&S requirements, actions, and monitoring information across the project cycle, but E&S staff across regions described the system as "cumbersome," "bureaucratic," and "time-consuming." Complex templates require hours of data entry but provide limited support for supervision, learning, or adaptive management. As one staff member noted, "We spend hours entering information, but when we need to extract anything structured for reporting, it is almost impossible." The system also lacks adequate skip patterns and differentiation by project type. When data points are not applicable, staff sometimes enter placeholder scores or explanatory notes simply to proceed, resulting in unreliable data and obscuring a project's true E&S risk profile.

These weaknesses limit portfolio analysis and take up staff time. Because data are fragmented, inconsistently migrated for older projects, and variably populated, system data cannot be used reliably for portfolio-level analysis, trend identification, or early warning of emerging E&S risks. At the same time, extensive data entry requirements divert staff time and add to workload pressures.

IFC has recognized these challenges and initiated corrective action, but risks remain. IFC management has acknowledged shortcomings in the design of ESG360 and is working to update and simplify the system to ease data entry during appraisal and supervision. While these efforts are a positive step, legacy data inconsistencies and overly complex reporting requirements continue to limit the system's effectiveness as a tool for monitoring, portfolio oversight, and learning.

IFC's Learning

Learning from ongoing practice relies largely on informal and localized processes. Beyond onboarding and training, knowledge sharing often depends on individual initiative or ad hoc exchange within teams, with limited structured mechanisms to capture and disseminate lessons across the organization. Interview evidence suggests that earlier arrangements—such as global sector leads and peer review forums—played a larger role in facilitating cross-regional knowledge flow. As a result, effective practices developed in specific projects or regions are not consistently institutionalized or scaled across IFC.

IFC's learning on E&S themes is often shaped by high-profile cases rather than systematic processes. Case evidence indicates that changes in guidance and operational practices have frequently followed specific CAO cases, with less emphasis on continuous, forward-looking learning. Although these cases have led to improvements, IEG and CAO reviews suggest that lessons are not always fully embedded in operational practice (box 4.1). More broadly, mechanisms to systematically use supervision data and emerging experience to anticipate and address risks remain limited, which constrains proactive learning and adaptation. Box 4.2 describes how IFC's institutional learning on GBV has improved but remains uneven and insufficient across operations.

Box 4.1. IFC's Response to CAO Investigations: Project-Level Actions, Systemic Lessons, and Implementation Consistency

Office of the Compliance Advisor Ombudsman (CAO) investigations have led to both project-level actions and broader adjustments in the International Finance Corporation (IFC) environmental and social practices. At the same time, variation in how lessons are implemented—combined with limitations in monitoring, workload pressures, and the reliance on guidance to operationalize requirements—affects the consistency of follow-through on Management Action Plans (MAPs) and contributes to a more reactive approach to supervision.

In response to findings of noncompliance and related harm identified through CAO compliance investigations, IFC prepares a Management Report for the Board of Executive Directors' consideration, which may include a MAP comprising time-bound actions proposed by management. These MAPs are intended to address both project-level harm and broader environmental and social practice. This evaluation reviewed 12 cases to assess how CAO findings were translated into actions, including client capacity building; livelihood restoration; and changes to procedures, guidance, and staff support.

A recent CAO Policy Review assessed MAP implementation more broadly and found that procedural commitments are generally implemented but that clarity on what constitutes effective implementation remains limited. The review recommends greater use of measurable indicators to support monitoring and to clarify whether implementation refers to completed actions or achieved outcomes. The review is in draft form and may be subject to change.

(continued)

Box 4.1. IFC's Response to CAO Investigations: Project-Level Actions, Systemic Lessons, and Implementation Consistency (cont.)

IFC has generally implemented project-level actions in the cases reviewed, particularly where it maintained an active investment role. In some cases, progress slowed after IFC's exit, when financial leverage was reduced.

IFC has also introduced changes to procedures, guidance, and training in response to several cases. These include updates to sectoral guidance, risk assessment practices, and training on issues such as cumulative impacts, security risks, and gender-based violence. However, evidence from CAO monitoring reports suggests that lessons are not always consistently embedded across the portfolio, and the application of systemic changes varies in practice.

More broadly, CAO cases have influenced IFC's approach to supervision, including increased attention to higher-risk or CAO-active clients and, in some instances, more intensive monitoring. While these responses can strengthen oversight, they are often resource-intensive and tend to be triggered by specific cases rather than by systematic, forward-looking learning processes.

Sources: Independent Evaluation Group; International Finance Corporation.

Box 4.2. Institutional Learning on GBV Has Improved but Remains Insufficient

Institutional attention to gender-based violence (GBV) increased notably following major accountability cases, including the World Bank Inspection Panel case in Uganda and a subsequent Office of the Compliance Advisor Ombudsman case involving International Finance Corporation–supported operations. The International Finance Corporation has since expanded its expertise, including by appointing a GBV lead and regional specialists and developing training and knowledge products. These efforts have supported greater awareness and guidance across the organization. At the same time, interview evidence indicates continued demand for more hands-on, context-specific learning, particularly through small-group and in-person engagement.

Differences in understanding of GBV risks across staff groups affect how learning is applied in practice. Interviews suggest that nonspecialists do not always distinguish GBV risks from other environmental and social risks or interpret incident reporting consistently, including how such reporting relates to system performance and response. As a result, learning often occurs through informal exchanges rather than structured reflection, particularly in responding to incidents. This type of learning limits the extent to which lessons are consolidated and applied systematically across operations.

Source: Independent Evaluation Group.

IFC–World Bank collaboration in joint projects relies largely on experience-based practices rather than standardized operating arrangements. While effective coordination would benefit from clearer shared protocols, teams often rely on project-specific solutions developed through experience to manage E&S risks. Case evidence shows that early joint operations faced coordination challenges, including unclear roles and responsibilities, whereas later operations benefited from more explicit arrangements, such as defined accountabilities, coordinated missions, and information sharing. Although such learning has improved coordination in specific cases, it remains uneven and dependent on individual teams, pointing to the absence of consistent, institution-wide approaches to joint E&S implementation.

Recurring implementation challenges are not consistently translated into systematic institutional learning. The evaluation identifies repeated patterns—including gaps in GRMs, delays in ESAP implementation, limited visibility of financial intermediary subportfolios, and coordination challenges in joint operations—that offer opportunities for deeper learning. While these issues are recognized at the project level, they are not always consolidated or analyzed systematically to inform changes in supervision practices, portfolio management, or legal frameworks. For example, patterns of delayed or partial ESAP implementation provide insight into how IFC's influence evolves after commitment, but this experience is not consistently synthesized to inform adjustments in implementation approaches. The introduction of a Bank Group–wide integrated E&S structure provides an opportunity to strengthen more systematic and forward-looking learning.

5 | Conclusions and Recommendations

This evaluation concludes that IFC's Sustainability Framework has set standards and strengthened E&S performance, but there are gaps in both the framework and its implementation. Since its adoption, the Sustainability Framework—anchored in the Policy on Environmental and Social Sustainability, the Performance Standards, and the Access to Information Policy—has professionalized IFC's approach to E&S due diligence, supervision, disclosure, and transparency and supported improvements in client ESMSs and project-level risk mitigation. IFC's hands-on E&S engagement has contributed to these improvements, particularly where applied early and consistently. The framework's principles and structure have also influenced E&S practices across DFIs and the broader financial sector. At the same time, the evaluation finds that the framework is not fully up to date in several areas, particularly related to social risks such as GBV, vulnerable groups, and stakeholder engagement, where gaps remain in how risks are explicitly addressed in the Performance Standards. Box 5.1 summarizes the evaluation's findings in response to the three evaluation questions.

IFC has strengthened its E&S practices in response to emerging risks and high-profile cases; however, implementation challenges persist. IFC has taken sustained steps to adapt its approach, including issuing guidance and tools for applying the Sustainability Framework in more complex contexts, refining ESAPs to better reflect project-specific risks, and expanding and reorganizing E&S staffing. These efforts have contributed to improvements in client E&S performance, particularly where support is applied early and consistently. At the same time, implementation remains uneven. Workload intensity and compressed timelines affect the consistency and depth of supervision; risk ratings are not always updated in a timely manner or do not fully reflect evolving risks; and gaps in documentation and client reporting limit the ability to assess implementation and track progress. GRMs are widely established but vary in effectiveness, and disclosure practices do not consistently support tracking of implementation or emerging risks. Learning remains influenced by high-profile cases, with more systematic use of supervision data to identify recurring issues and inform forward-looking improvements still developing. Addressing these challenges means more consistent application of existing requirements, stronger internal systems, and greater transparency. Actions to address challenges could include the following:

» Aligning workloads and expanding access to specialized expertise, including strengthening staff capacity on social risks, and providing earlier, hands-on, risk-based support to clients in higher-risk and complex operations.

» Adjusting incentives to reinforce E&S supervision and problem-solving, including reducing pressures from approval-driven metrics that compress due diligence timelines.

» Improving risk measurement and tracking, including more systematic updating of risk ratings and use of rating tools to capture changes in E&S risk and performance over the project cycle.

» Strengthening transparency by standardizing and improving the consistency of E&S disclosures, clearly explaining delays, and enhancing the visibility of client progress in implementing ESAP commitments.

» Strengthening oversight of GRMs by improving monitoring of their use, responsiveness, and follow-up, especially on high-risk issues.

» Improving the reliability and usability of E&S data and documentation by addressing fragmentation, strengthening data quality, and streamlining reporting and learning systems.

IFC's strategic direction and financing instruments have evolved over the past 15 years, while the Sustainability Framework has not kept pace in all areas. Portfolio growth, increasing diversity of instruments, and expansion into new markets expose the limits of a framework designed primarily for traditional project finance and fund investments. These challenges are most evident in financial intermediary operations, where IFC's leverage over and visibility into subprojects are more limited and where monitoring depends on client systems and reporting. As a result, subportfolio risks may not be fully captured in project-level assessments, and the application of requirements varies across instruments and contexts. Strengthening differentiation and proportionality in how requirements are designed and applied would improve the framework's usefulness across IFC's business model, particularly in financial intermediary operations. Experience across DFIs also suggests that maintaining effectiveness in such contexts depends on not only policy design but also resources, implementation guidance, and the ability to adapt approaches over time. At the same time, while the Performance Standards are designed to be risk based and adaptive, their application is often shaped by how requirements are specified at commitment. This specification can constrain flexibility in supervision and, in some cases, contribute to more cautious engagement in higher-risk contexts where development impact may be greatest.

There are also gaps and areas that require greater clarity in selected aspects of the Sustainability Framework. While the overall design remains sound, some social risks—including those related to GBV, vulnerable groups, and stakeholder engagement—are less explicitly addressed in the Performance Standards than in evolving practice. In these areas, implementation has relied more heavily on guidance and supervisory processes. Similarly, gaps in the treatment of GRMs and disclosure practices, as well as in how proportionality is specified and applied, contribute to variation in implementation and limit accountability and early risk management in some cases. Addressing these issues is central to the planned update of the Sustainability Framework and to closer alignment of policy with implementation experience.

Collaboration with the World Bank and other DFIs has improved in practice but remains uneven. Joint IFC–World Bank projects often involve complex operations where effective coordination on E&S issues is important. The evaluation finds that challenges arise primarily from differences in processes and the absence of shared tools and clearly defined procedures rather than from substantive differences in standards. As a result, coordination often relies on project-specific arrangements, which can increase transaction costs, create some duplication of processes, and reduce clarity on roles and accountabilities. Strengthening coordination arrangements, clarifying protocols for joint implementation, and reinforcing learning across institutions would improve efficiency and support more consistent application of E&S requirements while maintaining institutional accountability.

Box 5.1. Findings by Evaluation Question on Implementation and Fit for Purpose, Tracking and Achieving Outcomes, and Peer Comparisons

Evaluation Question 1—Implementation and Fit for Purpose

The International Finance Corporation (IFC) has implemented the Sustainability Framework with increasing rigor, and its core architecture continues to provide a solid foundation for managing environmental and social (E&S) risks, particularly in traditional project finance and fund investments. IFC's appraisal processes are generally effective at identifying key risks, and implementation has supported improvements in client E&S management systems and practices.

At the same time, gaps remain in both policy and implementation. Some social risks are less explicitly addressed in the Performance Standards, and implementation relies in part on guidance and evolving practice. Implementation effectiveness also varies across instruments and contexts and is affected by workload pressures, supervision intensity, and the quality of documentation and client reporting. These challenges are more evident in equity, corporate finance, and financial intermediary operations, where applying requirements consistently is more complex and places greater demands on IFC staff, systems, and client capacity.

Evaluation Question 2—Tracking and Achieving Environmental and Social Outcomes

Most IFC-supported projects achieve satisfactory E&S performance, and IFC engagement is associated with improvements in performance over time, particularly where support is applied early and consistently. However, tracking outcomes and sustaining improvements remain uneven. Persistent gaps in data systems, reporting, and disclosure limit IFC's ability to assess implementation consistently across instruments and over the project life cycle, particularly for complex social risks. These constraints affect transparency and reduce the scope for systematic portfolio-level learning.

(continued)

Box 5.1. Findings by Evaluation Question on Implementation and Fit for Purpose, Tracking and Achieving Outcomes, and Peer Comparisons (cont.)

Evaluation Question 3—Comparison with Peers and Implications for the Sustainability Framework

IFC's Sustainability Framework remains broadly comparable to those of peer multilateral development banks in its objectives and overall structure, but it is not fully aligned with evolving practice in some areas that are important for IFC's current business model. Some peer institutions have incorporated more explicit provisions on proportionality, instrument-specific approaches, and selected social risks within their policy frameworks. IFC has addressed many of these areas through guidance and implementation practices, but their more limited integration into formal policy contributes to variation in application across instruments and contexts. Differences across World Bank Group frameworks relate less to core technical requirements than to how standards are operationalized, updated, and applied in joint operations. These considerations have implications for the ongoing Sustainability Framework update and for stronger coordination and learning across the Bank Group.

Source: Independent Evaluation Group.

Box 5.2. IFC and World Bank Have Room to Improve Coordination and Joint Implementation of E&S Requirements

Lessons from complex public-private partnerships indicate that improved International Finance Corporation (IFC)–World Bank coordination—particularly on processes, procedures, and roles—can reduce duplication for clients and support more efficient implementation in a subset of joint operations. Approaches such as mutual reliance on selected processes and procedures may help reduce duplication where appropriate. Similarly, the use of more consistent tools and approaches for due diligence and monitoring can support more streamlined collaboration without requiring a full harmonization of technical standards.

(continued)

Box 5.2. IFC and World Bank Have Room to Improve Coordination and Joint Implementation of E&S Requirements (cont.)

Such approaches may include clearer protocols for coordination in jointly financed operations, including more explicit role definitions, more consistent procedures, and more structured communication with clients. The approaches can also support more systematic collaboration in supervision and monitoring while maintaining institutional accountability for applying respective standards.

The deep dive on gender-based violence also illustrates areas where closer collaboration between IFC and the World Bank may add value, particularly in incident response and access to services. Given the nature of its private sector operations, IFC has more limited ability to systematically identify and support services for affected communities at scale compared with World Bank operations. In this context, World Bank projects can, where relevant, support the mapping and availability of service providers and facilitate coordinated responses that IFC clients may draw on. At the same time, operational experience from IFC projects—such as approaches to reporting and incident management—can also inform World Bank practice.

Source: Independent Evaluation Group.

Note: E&S = environmental and social.

Looking Ahead

The evaluation highlights structural trade-offs that IFC increasingly faces as it pursues portfolio growth while seeking to maintain the credibility and effectiveness of its E&S framework. Growth—particularly through equity investments, corporate finance, and financial intermediary operations—makes it more complex to apply and supervise E&S requirements consistently across all instruments. In these operations, project boundaries are less clearly defined, IFC's leverage is more indirect, and E&S assessment relies more on continuous supervision than on ex ante appraisal. Evidence from the portfolio indicates variation in E&S performance across instruments, with relatively stronger performance in traditional project finance and fund investments than in some equity and corporate finance operations, reflecting differences in how requirements are specified and applied. Similarly, differences across financial intermediary instruments point to variation in how E&S requirements are implemented and monitored. These patterns indicate that higher-risk contexts and more limited leverage require stronger, earlier, and more sustained E&S engagement.

These findings raise strategic choices for management and the Board on how IFC aligns portfolio growth with the level and form of E&S oversight needed to sustain effective implementation as its business model evolves. The issue is not whether to apply lower standards in more challenging contexts but how to implement the Performance Standards in a more deliberate, differentiated, and adaptive manner across a wider range of instruments and risk settings. IFC benefits from a strong E&S culture and capable staff, and recent efforts to strengthen guidance, tools, and capacity provide a foundation for further improvement. The central challenge lies in addressing persistent implementation gaps by aligning resources, incentives, leverage, and accountability with a larger and more diverse portfolio. Making these trade-offs more explicit—and managing them systematically—will be important to sustaining the credibility and effectiveness of IFC's E&S framework as it continues to expand.

Recommendations

The evaluation's findings point to four interrelated areas addressed by the recommendations. The first concerns strengthening implementation—including supervision, incentives, accountability, and transparency—to address persistent gaps that affect E&S outcomes. The second relates to the application of the Sustainability Framework to financial intermediary operations, where the allocation of responsibilities between IFC and clients for subproject E&S performance needs to be clarified. The third concerns selected gaps and areas requiring greater clarity in the Sustainability Framework itself, particularly in relation to social risks, stakeholder engagement, and the application of proportionality. The fourth relates to coordination across World Bank Group frameworks, where differences in processes and implementation arrangements affect efficiency and consistency in joint operations. Taken together, the recommendations are intended to address immediate implementation challenges while supporting longer-term adjustments to the framework and its application as IFC's business model evolves.

Recommendation 1: IFC should strengthen implementation of the Sustainability Framework by expanding hands-on E&S support to clients in higher-risk and complex operations and by improving the transparency of its E&S performance and disclosures. As further elaborated in the conclusion, this recommendation includes earlier and more sustained client support. It also includes clearer, more consistent disclosure of E&S information, including delays and progress in implementing ESAP commitments. Delivering on this recommendation will require aligning staffing, expertise, and incentives with the demands of higher-risk operations, including addressing capacity constraints and ensuring adequate coverage across regions and specialized risk areas.

Recommendation 2: IFC should clarify in the Sustainability Policy how accountability between IFC and its clients for E&S performance is to be exercised in financial intermediary and capital market operations, including the extent of IFC's responsibilities for subprojects, and how E&S requirements are applied in operations with indirect or limited visibility and reliance on client systems for monitoring and reporting, consistent with IFC's leverage and access to information. This recommendation should include clarifying the allocation of responsibilities between IFC and clients for subproject-level performance; specifying verification expectations under IFC's monitoring approach in higher-risk transactions or where visibility is limited; and codifying how E&S requirements are applied and overseen across these operations, including IFC's use of client systems, ring-fencing, reporting, and selective validation to support consistent oversight.

Recommendation 3: IFC should strengthen requirements in priority social and transparency areas to address critical gaps in the Sustainability Framework. The ongoing update provides an opportunity to better align policy with how E&S risk management has evolved in practice, particularly for social risks, stakeholder engagement, and grievance management. IFC should clearly define operational requirements in areas where current language relies on broad principles and evolving guidance, including SEAH, child protection, and vulnerable and disadvantaged groups. In addition, IFC should clarify expectations for stakeholder engagement and grievance management across the project cycle, including requirements for meaningful consultation, timely and accessible disclosure, protection against retaliation, and monitoring of grievance use and resolution. Greater clarity in these areas would support a more consistent application of requirements in practice.

Recommendation 4: The Bank Group should advance E&S harmonization and address evolving risks by reconciling material differences in E&S standards, requirements, and guidance and embedding adaptive management in the E&S architecture. Specifically, the Bank Group should establish protocols for joint implementation of Bank Group projects, including expanded use of mutual reliance or delegated approaches, and it should clarify how material differences between frameworks are addressed, how accountability for implementation and outcomes is maintained, and how complaints and grievance processes are handled. The Bank Group should also introduce a mechanism for periodic, synchronized updates to the World Bank's ESF and IFC's Sustainability Framework to improve coherence over time, while respecting institutional mandates. This mechanism would not affect the currently ongoing process for updating the IFC Sustainability Framework. Finally, the Bank Group should strengthen adaptive management by moving toward shared analytics and systems and promote learning across regions, sectors, and institutions.

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APPENDIXES

Independent Evaluation Group

The International Finance Corporation's Sustainability Framework

Appendix A. Methods

Evaluation Purpose and Questions

This evaluation examined the implementation of the Sustainability Framework of the International Finance Corporation (IFC) and assessed the achievement of the framework's objectives. The evaluation aims to inform IFC's upcoming framework update by providing insights into what has worked well, identifying areas where reforms could be introduced, and assessing the risks and opportunities of aligning and harmonizing environmental and social (E&S) frameworks with the World Bank and other multilateral development banks. The evaluation sought to answer three key questions:

1. To what extent has IFC's Sustainability Framework been effectively implemented and met IFC's evolving business needs?
   - To what extent have the Sustainability Framework's Performance Standards remained fit for purpose across instrument types, for IFC's evolving business model, and for key established and emerging E&S themes?
   - To what extent have IFC's appraisal and monitoring processes enabled effective implementation of the Sustainability Framework, and what factors enabled or constrained its implementation?
   - How effectively has IFC implemented feedback loops to support updating its implementation processes, guidance, and systems over time?
2. To what extent have E&S outcomes been tracked and achieved?
   - Do IFC's data systems and indicators enable consistent application and timely tracking of E&S outcomes across project types?
   - To what extent do projects achieve the Performance Standards' stated objectives, and what factors explain variation in achievement?

3. Based on lessons from IFC's and peers' experience, what are the risks and opportunities for IFC in aligning and harmonizing E&S frameworks with the World Bank and other MDBs?

   » What are the potential challenges and opportunities in harmonizing the E&S policy and standards within the Bank Group?

   » What are the potential challenges and opportunities of harmonizing the E&S implementation arrangements within the Bank Group?

   » What are the potential challenges and opportunities in harmonizing the E&S policy and standards with other multilateral development banks?

Evaluation Scope

The evaluation was scoped as follows:

» The evaluation focused exclusively on IFC's Sustainability Framework and did not assess the E&S frameworks of other Bank Group institutions.

» The timeline for the evaluation is FY 2012–25, aligning with the start of the implementation of the second iteration of IFC's Sustainability Framework.

» The evaluation portfolio includes 4,045 IFC investment projects approved within the evaluation period, excluding projects that primarily involve financial restructuring, risk management instruments, or ownership changes rather than new investment activities, as they do not entail new or materially different E&S risk exposure.

» The evaluation drew on detailed validations of E&S performance of IFC projects.

Data Sources and Methods

To address the evaluation questions (EQs), the team drew on a combination of qualitative and quantitative data and applied a mixed methods approach to triangulate evidence across data sources. The evaluation team relied on the following data inputs:

» Independent Evaluation Group (IEG) validations of IFC project evaluations, providing qualitative evidence on client implementation of the Sustainability

Framework and IFC's E&S work quality, coupled with quantitative standardized ratings related to adherence to applicable Performance Standards and implementation protocols, which include qualitative data describing the client's application of the Sustainability Framework and IFC's role and work quality and detailed ratings of adherence to Performance Standards and implementation protocols

- A benchmarking analysis comparing IFC's Sustainability Framework with E&S frameworks adopted by other multilateral development banks
- IFC internal monitoring data, including client-level and project-level E&S risk ratings at appraisal and during supervision, Environmental and Social Action Plan (ESAP) timelines and descriptions, and E&S supervision reports
- Annual IFC E&S staffing data obtained from IFC's Human Resources department
- Management Action Plans associated with the Office of the Compliance Advisor Ombudsman cases
- Structured interviews with clients, consultants, civil society representatives, IFC staff, and managers
- Case studies that included field visits to IFC clients in Colombia, Guatemala, India, Jordan, Kenya, Thailand, Türkiye, and Viet Nam
- A Joint IFC–World Bank project review exercise
- Two workshops with civil society organizations
- Regular meetings with IFC staff involved in the Sustainability Framework update

Independent Evaluation Group Validations of International Finance Corporation Project Evaluations

This section describes each data source in greater detail and its role in supporting the evaluation's findings.

IFC conducts self-evaluations of a stratified annually representative random sample of its mature investment projects (typically five to seven years after investment). IEG independently validates this self-assessment and assigns E&S ratings across various indicators that evaluate both IFC's E&S work quality throughout the project cycle and the client's implementation of the applicable Performance Standards, assigning subcategory ratings at the Performance Standard level. The data also include detailed qualitative narratives that document the project cycle and provide a rationale for assigned ratings.

The project evaluations represent about 40 percent of IFC's investments. Since 2012, IEG has completed project validations for 1,041 projects, including 584 projects approved under the 2006 Sustainability Framework, 456 projects approved under the 2012 Sustainability Framework, and 1 project approved under the 1998 policy (table A.1). For the purpose of this evaluation, we restricted our analysis to 456 IFC projects that applied the 2012 Sustainability Framework (228 direct investments and 228 financial intermediary investments, of which 47 were fund investments). Total project counts presented in the report may differ depending on the availability and applicability of reported indicators. In addition to the desk-based validations, IEG has performed field validations for 19 of these projects, which also informed the findings.

Table A.1. Validated Projects by Type of Investment and Framework Year (number)

Framework	Direct Investment	Financial Intermediary	Total
1998	1		1
2006	349	235	584
2012	228	228	456
Total	578	463	1,041

Source: Independent Evaluation Group.

For each validated project, IEG rates the E&S performance dimensions as described in the main report. The ratings apply at the project level and for applicable Performance Standards both at project appraisal (assessing how well the clients were adhering to Performance Standard requirements before IFC's engagement) and at project evaluation.

In addition, the evaluation team conducted a structured desk review of IFC project validation and supervision documentation to examine how E&S processes function in practice across the project life cycle. The desk review began with an initial universe of 456 IFC projects, comprising 228 direct investments and 228 financial intermediary projects. Project-level ratings from the Expanded Project Supervision Report E&S dataset were used to characterize performance at appraisal and evaluation and to support purposive sample selection.

A process theory of change was developed to map expected inputs, outputs, intermediate results, and risks across the IFC investment timeline. The process theory of change explicitly distinguished between appraisal and supervision stages and identified key decision points and process moments with the potential to influence E&S performance over time. This framework was used to identify critical junctures in the project cycle, such as risk identification, ESAP formulation, supervision intensity, and corrective actions in which implementation breakdowns or learning could plausibly occur.

Project Selection Strategy

A total of 131 projects were selected for in-depth review using purposive criteria designed to surface implementation challenges, with intentional oversampling of higher-risk and poorer-performing cases. Selection criteria included the following:

» Projects with a decline in client E&S capacity, defined as positive capacity at appraisal but negative or worse at evaluation

» Projects with negative community engagement outcomes at evaluation, combined with negative overall E&S performance ratings

» Projects with weak ESAP implementation, based on evaluation ratings

» High-risk projects, as identified through IFC risk categorizations

This strategy was intended to support diagnostic analysis of constraints and failure points, rather than to generate statistically representative estimates.

Review Instrument and Data Extraction

For selected projects, the evaluation team applied a structured review questionnaire, aligned with the process theory of change. The instrument was designed to capture comparable information across projects and to trace links among the following:

- Policy triggers (for example, Performance Standards activated at appraisal)
- Inputs (for example, IFC requirements, supervision actions, and guidance)
- Outputs (for example, client actions and compliance)
- Observed outcomes (for example, changes in E&S performance over time)

The questionnaire included targeted questions corresponding to key process points such as risk identification, ESAP design, and supervision follow-up to enable a systematic aggregation of factors influencing project success.

Environmental and Social Action Plan Implementation Deep Dive

In addition, the evaluation team conducted a focused analysis of projects with poor ESAP implementation ratings, covering the full sample of such projects. For each project, the team categorized unimplemented or partially implemented ESAP items by their intended risk mitigation purpose and assessed whether an associated adverse E&S event was identified in project documentation. This analysis aimed to examine the relationship between ESAP implementation gaps and realized E&S risks, providing insight into the consequences of weak follow-through during supervision.

Benchmarking of the Sustainability Framework Against the Environmental and Social Frameworks of Other Multilateral Development Banks

The evaluation team conducted a comprehensive comparative analysis of IFC's 2012 Sustainability Framework against the E&S frameworks of peer development finance institutions: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the World Bank. As these peers have updated their frameworks more recently than IFC, accompanying IFC Guidance Notes were also reviewed. The analysis consisted of three subcomponents, the scope and details of which are summarized in this section.

First, the evaluation team conducted a comparative analysis of the framework architecture. The objective was to establish a "bird's-eye view," drawing out broad points of convergence and difference in the contents of the E&S policy (or equivalent), Performance Standards (or equivalent), and the Access to Information Policy of IFC and peer institutions by relevant organizing themes. To enable a structured comparison, the team developed a structured analytic framework that organized requirements across institutions into subthemes aligned with each Performance Standard. Institutional differences and points of convergence within each standard were then coded by organizing theme, allowing the team to assess variations in scope, depth, and treatment of specific policy elements across development finance institutions. Beyond the content of individual standards, the evaluation team compared the architectural features of each institutional framework, including policy hierarchies, vision statements, roles and responsibilities, scope of application, and integration of exclusion lists or information disclosure policies. Review of the frameworks of each comparator allowed for extraction of data into the analytic framework and structured visualizations.

Second, a more detailed comparison of the Performance Standards (or equivalent) was conducted for the Asian Development Bank, the European Bank for Reconstruction and Development, and IFC. This subset of the comparators was selected because of the relative concentration of private sector operations in the portfolio and the recency of updates made to these institutions' E&S standards (or equivalent) for clients. Drawing on the analytic framework for the architecture analysis, this review identified key points of comparison in several areas for each peer institution, indicating additional considerations for each, with a view to determining the peer in the comparison with the highest standard of requirements for clients. The results of this exercise are reported in appendix B.

Third, the team conducted a comparison of the complaints reported to the accountability mechanisms of peer institutions, inclusive of the Asian Development Bank, the European Bank for Reconstruction and Development, IFC, and the World Bank. The African Development Bank and the Inter-American Development Bank were omitted from this exercise because of the differences in reporting modalities of their accountability mechanism annual reports. Drawing on the five most recently disclosed annual reports for each peer's accountability mechanism, the team extracted relevant data and created a structured database. For the purposes of peer comparisons, some of the categories expressed by each institution were incorporated into one broader category, except in instances where categories seemed incompatible. Complaints were coded according to each of the categories identified. A rank-based comparison exercise was then conducted to determine the relative frequency of each complaint category across peers. Each of the top five most frequently occurring complaint categories for peers received a score of 1 to 5, with 5 being the most frequently occurring and 1 being the least frequently occurring. The complaint categories with the highest totals across all peers were then ranked the highest.

Data from International Finance Corporation Internal Monitoring Systems, Such as Risk Ratings and Environmental and Social Action Plans

The team used IFC internal monitoring data to study changes in portfolio risk ratings over time, client E&S performance changes, and the frequency of client risk rating changes. In addition, the team reviewed project-level ESAPs and supervision reports for the case study analysis of the implementation of grievance redress mechanisms.

International Finance Corporation Environmental and Social Staffing Data

The evaluation team obtained annual E&S staffing data from IFC's Human Resources department. The data set aggregates full-time staff and consultant head counts by duty station and position title. Using position titles, the team classified staff into three categories: (i) core E&S specialists (defined as E&S staff with specialist, senior specialist, principal, and chief titles); (ii) support staff, including administrative, legal, finance, budget, and communications roles; and (iii) executive and managerial staff. The analysis focused on changes in the number of core E&S staff since FY12 and compared these trends with changes in the size and composition of IFC's investment portfolio over the same period.

Management Action Plans Arising from the Office of the Compliance Advisor Ombudsman Cases

IEG conducted a review of 12 purposively selected Management Action Plans, encompassing both earlier and more recent cases. Five of these Management Action Plans are the latest issued by IFC in response to the Office of the Compliance Advisor Ombudsman investigations. The other 7 were chosen to provide a representative distribution across various sectors—including agribusiness, extractives, infrastructure, financial intermediaries, and social sectors—and modalities such as direct investments and financial intermediary lending, covering the time frame from 2007 to 2025. Selection prioritized cases that have set precedents or exposed systemic gaps within IFC's E&S framework.

Disclosures Analysis

The team undertook an analysis of the extent to which IFC complies with existing commitments in the Access to Information Policy through a review of information included in the public disclosure portals of a sample of IFC projects. The review was inclusive of high- and moderate-risk direct investment and financial intermediary projects included in the portfolio for the evaluation that were approved between FY12 and FY25.

First, the evaluation team identified a representative, stratified sample of projects. A total of 150 projects were selected from 3,283 eligible projects approved between FY12 and FY25, equating to about 4.6 percent of all eligible projects. Projects were first stratified according to risk category (category A, B, FI-1, or FI-2) and assigned a random number within their respective strata. Projects were then ordered according to their randomly assigned number, with the representative number of projects for each strata drawn from the top of the list. Where relevant, the evaluation team also reviewed the distribution of projects across approval years, regions, and sectors (to check for major imbalances), although these variables were not used as primary stratification layers. Table A.2 presents the overall and sampled number of projects from within each strata.

Table A.2. Overall Projects in the Portfolio and Sampled Projects (number)

Category	Overall Projects in the Portfolio	Sampled Projects
A	207	9
B	1,737	79
FI-1	111	5
FI-2	1,228	57

Source: Independent Evaluation Group.

Second, the evaluation team conducted an in-depth review of project disclosure portals for each project in the sample, supported by a structured coding protocol. The protocol aligned with selected Access to Information Policy requirements for IFC projects and covered both preapproval and post–Board of Executive Directors disclosure activities, differentiated by project risk category. For the preapproval disclosure, we assessed, for all projects, whether the disclosure portal included a Summary of Investment Information, provided a rationale for the E&S risk categorization, and described E&S risks, which were rated on a three-point scale. For direct investments, we further examined whether projects disclosed an E&S Review Summary, described key mitigation measures, provided details on project-level grievance redress mechanisms, disclosed information on IFC's direct complaints mechanisms, and made Environmental and Social Impact

Assessments publicly available. For financial intermediary projects, the evaluation team assessed whether disclosure materials described measures to strengthen clients' E&S management systems, as reflected in ESAPs.

Projects were assigned a rating on the extent of analysis of project E&S risks and the extent of description or analysis of the measures put in place to mitigate these risks. Projects were rated on a scale of 1 to 3, with 1 being a generic list of risks or mitigating measures, 2 being a list of E&S risks or mitigating measures with some explanation or analysis, and 3 being a list with more detailed explanation or analysis.

For post-Board disclosure, the evaluation team assessed whether projects disclosed an ESAP and whether the disclosure portal included updates on the status of ESAP items. In addition, we assigned each project a score on a four-point scale (0 to 3) based on the depth and quality of information provided in ESAP status updates. Projects that did not provide any ESAP status updates in the disclosure portal received a score of 0. Projects that reported only delivery dates or high-level status updates without additional context received a score of 1. Projects that included some contextual information or brief explanatory notes on ESAP progress received a score of 2. Projects that provided more detailed and substantive descriptions of ESAP implementation status, including surrounding context, received a score of 3. The coding process resulted in a structured Microsoft Excel database that contained standardized data points for each of the 150 projects included in the sample.

Finally, we analyzed the data for all 150 projects and produced basic summary data using pivot tables and cross-tabulation to identify key trends and patterns. Results were disaggregated by E&S risk category (A, B, FI-1, and FI-2). The team used the analysis to develop the findings described in the main report.

Gender-Based Violence Review

The evaluation team used a mixed methods approach to examine the integration and effectiveness of gender-based violence (GBV) risk management in IFC projects. We conducted a systematic text-based review of ESAPs and applied predefined keyword dictionaries and proximity-based search rules to identify GBV-related actions. The search covered explicit references to GBV and sexual exploitation, abuse, and harassment; workplace harassment and misconduct; and programmatic mitigation measures such as codes of conduct and grievance redress mechanisms, including proximity rules linking gender-related terms with complaints, safeguarding, and reporting mechanisms.

Using this approach, we identified and analyzed 338 ESAP actions to classify types of mitigation measures and assess alignment with IFC Good Practice Notes. With support from the IFC Information Technology team, the evaluation team extracted GBV risk ratings from ESG360 to assess portfolio coverage and changes in risk classification over time.

The evaluation team complemented the ESAP analysis with a portfolio review of 25 projects selected from operations with multiple GBV-related ESAP actions and balanced across regions and sectors to examine supervision, monitoring, and implementation support. The team also conducted key informant interviews with 18 IFC E&S staff and GBV specialists and 5 client E&S specialists. Finally, the team undertook in-depth case studies of four projects using process tracing, combining document review and interviews with IFC and client E&S teams to examine how GBV risk screening, mitigation, grievance redress, and response mechanisms operated across the project life cycle.

Interviews with Clients, Civil Society Representatives, International Finance Corporation Staff, and Managers

As part of the mixed methods design, the evaluation team conducted structured interviews with IFC staff (E&S staff, investment staff, and management) and IFC clients across real sector and financial intermediary operations. Interview guides were developed separately for clients and internal IFC stakeholders and were explicitly mapped to the EQs, including the fit for purpose of the Sustainability Framework, appraisal and monitoring processes, learning and feedback loops, and the achievement of E&S outcomes.

Client interviews focused on institutional context, E&S risk profiles, E&S management systems, experience implementing the Performance Standards, interactions with IFC during appraisal and supervision, and perceived value added and demonstration effects. Interview protocols were structured to elicit evidence relevant to EQ1a, EQ1b, and EQ2b, with emphasis on (i) how IFC appraisal and supervision processes shaped implementation of the Sustainability Framework and (ii) factors associated with variation in achievement of Performance Standards objectives across projects.

Interviews with IFC staff discussed challenges related to the coverage of Performance Standards, as well as their application, implementation, appraisal, monitoring, risk management, learning systems, organizational structure, and staffing. While interview guides followed a common structure to ensure comparability across interviews, interviewers retained flexibility to probe emerging issues and tailor follow-up questions based on respondents' roles, sectors, and country contexts. A total of 153 interviews were analyzed with NVivo. Most interviews (69 percent) were conducted with IFC staff, more than any other group (tables A.3 and A.4). Responses were treated as confidential and anonymized in all reporting. The evaluation team systematically coded and triangulated interview evidence with portfolio analysis, document review, and administrative data to inform evaluative judgments and identify common patterns, enablers, and constraints affecting Sustainability Framework implementation and outcomes.

Table A.3. Interviews by Interviewee Institution Type

Institution Type	Number	Share of Total Interviews (%)
IFC	106	69
Client	31	20
CSO	9	6
Other	4	3
Government	3	2
Total	153	n.a.

Source: Independent Evaluation Group.

Note: CSO = civil society organization; IFC = International Finance Corporation; n.a. = not applicable.

Table A.4. Interviews by Interviewee Role

IFC Staff Role	Number	Share of Total IFC Interviews (%)
E&S	59	56
Business	26	25
Management	15	14
Operations and advisory services	6	6
Total	106	n.a.

Source: Independent Evaluation Group.

Note: E&S = environmental and social; IFC = International Finance Corporation; n.a. = not applicable.

The team developed an interview coding structure. Templates for interviews were developed and applicable to the type of respondent but aligned with the types of EQs that the interviews aimed to answer. The first phase of the analysis relied on deductive strategies to support data organization and management, specifically in relation to EQ1a, EQ1b, and EQ2b. The topic codes included the following broad categories: fit for purpose, implementation, factors affecting implementation, and systems and outcomes tracked. Second, the evaluation team developed attribute coding to sort by data type, role, and type. Data type was divided into key interviewee categories, including clients, civil society organizations, and IFC staff (E&S, investment officers, and management). The third phase was designed to narrow the coding to topics that could substantiate emerging ideas and hypotheses linked to the EQs, especially in areas where evidence was needed to triangulate and validate findings from other methods. In this phase, the team focused on analyzing the data within each selected topical category to develop themes and findings.

The evaluation team applied a mixed methods design grounded in rigorous quantitative analysis and a detailed conceptual framework. The team used econometric and statistical analysis of IEG-validated E&S ratings—combined with IFC portfolio, monitoring, and human resources data—to identify trends and factors associated with projects' E&S performance and improvements over time. The econometric results are presented in appendix C. The qualitative analysis of IEG's project validations and evaluations complemented this quantitative analysis. The evaluation team also analyzed IFC's E&S staffing and organizational patterns and carried out a benchmarking review of the multilateral development banks' E&S frameworks and harmonization practices. The team further analyzed gender approaches in a purposive project sample, reviewed IFC–World Bank collaboration in a separate sample of joint operations, and assessed IFC's organizational learning by examining Management Action Plans arising from the Office of the Compliance Advisor Ombudsman cases. The conceptual framework guided the analysis by mapping actors, responsibilities, outcomes, and explanatory factors. Finally, the evaluation team triangulated evidence across all methods through structured cross-team workshops to ensure coherence, robustness, and depth in the findings.

Case Studies

The evaluation team used an illustrative case study approach to examine how IFC's Sustainability Framework was applied in practice within selected IFC-supported investments. Illustrative case studies were chosen to provide concrete, context-rich examples of how the Sustainability Framework's principles and Performance Standards are operationalized across different investment settings. The case studies also aimed to selectively document instances of E&S outcomes associated with a particular investment; they were not intended to assess the extent of client compliance or causality. The unit of analysis for each case study was the project level; projects were selected according to the criteria described in this section. During case study missions, teams also engaged in several corporate-level interviews of IFC E&S and investment staff. The interviews had a complementary but distinct purpose of feeding into the wider global evaluation findings, rather than focusing on the project case study level.

The case studies were guided by the following subset of the EQs:

» EQ1a: To what extent have the Sustainability Framework's Performance Standards remained fit for purpose across instrument types, for IFC's evolving business model, and for key established and emerging E&S themes?

- EQ1b: To what extent have IFC's appraisal and monitoring processes enabled effective implementation of the Sustainability Framework, and what factors enabled or constrained its implementation?

- EQ2b: To what extent do projects achieve the Performance Standards' stated objectives (minimize risks, improve E&S practices, and provide livelihood restoration), and what factors explain variation in achievement?

Case Study Selection

Cases were selected using purposive sampling, guided by predefined inclusion criteria and the objective of capturing variation across key IFC investment typologies. Each case study team conducted a basic portfolio review exercise to analyze the composition of the portfolio in their region of focus. The team then applied inclusion criteria to ensure the following:

- Selection of only projects with an E&S classification of category A or B (to ensure a degree of complexity in E&S requirements and corresponding IFC supervision arrangements)

- Selection of projects from both direct investments and financial intermediary investments

- Selection of both loans and equity investments

- Selection of some projects with changes to their E&S risk rating during implementation

Once these criteria were applied, the team conducted a basic evaluability exercise. First, projects identified needed to demonstrate a degree of data and documentation on the ESG360 platform and ESGDocs, both fundamental aspects of IFC investment E&S recordkeeping and project cycle information. Second, investments needed to be active to ensure the existence of an ongoing relationship between IFC and the client and to allow for access to the client so the evaluation team could conduct detailed semistructured interviews and site visits. Third, teams consulted with IFC colleagues to determine the feasibility and relevance of the cases selected.

Applying these criteria produced a selection of projects that reflected typological variation of investment characteristics and E&S characteristics. Taken together, the case studies represented the breadth of the Sustainability Framework's application. The case studies applied different Performance Standards, demonstrated different levels of E&S performance, and reflected varied IFC due diligence and supervision arrangements. They also incorporated a variety of country and client contexts, including coverage of a range of profiles from within the global IFC Sustainability Framework portfolio, exemplifying key features of implementation.

Case Study Data Collection and Analysis

The evaluation team drew on data from project documentation, publicly available IFC disclosures, and secondary materials, including E&S Review Summaries, Annual Monitoring Reports, and other relevant project cycle documents. This review process, together with preliminary interviews with relevant regional and project-level IFC E&S staff, allowed each team to formulate working hypotheses on the particular E&S actions, the extent of IFC's involvement and support to the client, and some of the potential achievement of stated objectives and outcomes associated with a given project.

Each team then conducted a case study visit. Visits included detailed semi-structured interviews and focus group discussions with relevant IFC staff in country, semistructured interviews at offices and sites with IFC clients, and semistructured interviews with representatives of civil society organizations and national regulatory authorities, where relevant. In these case studies and at headquarters, the team interviewed about 106 IFC staff, 31 clients, and 9 civil society organizations.

The evaluation team wrote up the findings of each case study in a detailed internal case study deliverable. The team organized structured analytic workshops to compare and triangulate findings, integrate case study data into the wider evaluation, and develop case study examples for the evaluation report.

Focused Joint International Finance Corporation–World Bank Project Review

The focused joint IFC–World Bank project review used a case-based inquiry approach, drawing on light-touch qualitative examination of purposively selected projects. The objective was to generate contextualized qualitative insights and lessons on the extent and nature of IFC and the World Bank's collaboration on E&S management in practice. It was not intended as a full case study but as an illustrative lens to explore implementation processes and assess areas of strengths and weaknesses in IFC and the World Bank's coordination on E&S management from the perspective of policy and implementation arrangements and outcomes across contexts.

Accordingly, the focused project review was guided by the following subset of the EQs:

- EQ3a: What are the potential challenges and opportunities in harmonizing the E&S policy and standards within the Bank Group?
- EQ3b: What are the potential challenges and opportunities of harmonizing the E&S implementation arrangements within the Bank Group?

The evaluation team first identified a portfolio of IFC projects using an existing corporate-level database that IEG maintains on joint World Bank and IFC working practices. The portfolio consisted of 66 projects approved between FY12 and FY24 that had applied the Sustainability Framework and consisted of some kind of joint engagement that involved IFC and the World Bank (the International Bank for Reconstruction and Development and the International Development Association).

The team then developed selection criteria and applied them to the portfolio to narrow down the number of projects included for deep dives, in which relevant project documentation would be reviewed and key staff interviewed. Given the relatively small size of the portfolio relative to the overall portfolio for the evaluation and the lack of portfolio data on the scope and nature of joint work, the team determined that it would be most useful to identify a subset of projects for deeper dives. These deeper dives would entail document review of relevant project cycle documents and semistructured interviews with E&S specialists. To identify projects that produce relevant data, the team applied the following selection criteria:

- The project has an E&S risk categorization of category A or category B (or category C if the project is a complex infrastructure or energy project). This categorization is likely to entail more complex E&S risks, with a higher potential for producing interesting lessons.
- The project was approved in FY18–23. This range is likely to result in recent institutional memory of the project cycle, including appraisal and supervision, and to allow some amount of time for projects to have entered into implementation.

Application of these selection criteria resulted in a list of 10 projects. For each project, the team reviewed key project cycle documentation and reached out to relevant IFC lead E&S specialists for semistructured interviews.

Four projects were identified as having had meaningful engagement from both IFC and the World Bank during implementation and were therefore suitable for additional interviews and a more detailed case study. For each project, this appendix provides a more detailed summary with project-specific findings and lessons. The other projects did not entail significant collaboration because E&S management functioned on a delegated basis or the project itself was too nascent to necessitate further exploration through interviews. For each project, data were collected through semistructured interviews with key stakeholders (19 stakeholders in total).

Evaluation Criteria

The analysis was grounded in criteria for evaluating the Sustainability Framework's fit for purpose, performance, and results.

Fit for Purpose, Including Relevance

This criterion assesses whether the Sustainability Framework's policy architecture, Performance Standards, and supporting guidance remain useful, practical, and relevant for IFC's current business model and today's E&S risk landscape. The criterion considers the following areas:

- Coverage of key issues: whether the Sustainability Framework addresses the full range of contemporary E&S themes, including gender and GBV or sexual exploitation, abuse, and harassment; climate risk and climate reporting; biodiversity; vulnerable groups; stakeholder engagement and reprisals risks; supply chains; contractor management; and data protection
- Applicability across IFC's instruments: whether requirements are suitable for direct investments, equity, corporate finance, financial intermediaries, fintech, capital markets, trade finance, and other modalities that differ from the original project finance model
- Clarity, proportionality, and usability: whether expectations for clients and IFC staff are clear, realistic, and appropriately differentiated by risk and capacity
- Alignment with peer institutions and Global Practices: whether the Sustainability Framework keeps pace with updates made by other multilateral development banks and international standards
- Responsiveness to stakeholder expectations: whether the Sustainability Framework reflects the needs and priorities of clients, civil society organizations, affected communities, and the Bank Group

Performance

This criterion looks at how well IFC and its clients implement the Sustainability Framework in practice. The criterion focuses on the following areas:

- Client implementation: functioning E&S management systems; completion and quality of ESAPs; management of labor, safety, community, and environmental risks; and the existence and use of grievance redress mechanisms
- IFC work quality: strength and timeliness of due diligence, supervision, follow-up on issues, escalation of noncompliance, documentation, and support to build client capacity

- Monitoring, reporting, and transparency: adequacy and reliability of client reporting, IFC's use of E&S risk ratings and data systems, and adherence to disclosure requirements
- Learning and adaptation: how IFC updates guidance, practices, and systems in response to experience, evaluations, and accountability mechanisms

Results and Outcomes

This criterion looks at the real-world E&S outcomes associated with IFC-supported projects. The criterion considers the following areas:

- Environmental outcomes: pollution reduction, improved resource and waste management, biodiversity protection, and avoidance of environmental harm
- Social outcomes: worker safety, reduced accidents, fair labor conditions, community protection, avoidance or mitigation of displacement impacts, functioning grievance channels, and benefits for vulnerable groups
- Use of the mitigation hierarchy: evidence that risks were avoided, minimized, mitigated, or compensated
- Sustainability of outcomes: whether positive practices are maintained over time, especially after IFC's supervision or exit
- Balance of positive and adverse outcomes: identification of improvements and harms linked to gaps in screening, capacity, or implementation

Methodological Limitations

The evaluation team faced methodological challenges related to data fragmentation, migration quality, and access constraints across IFC's E&S information systems. Key E&S documents and project-level information are located within various platforms: ESG360, ESGDocs, and iPortal. This complicated systemic data consolidation and review. In 2022, IFC introduced ESG360 as a new platform to replace the extant E&S platform. Historical data were migrated into the new system, and manual reviews of older projects indicate that the migration introduced some inconsistencies in the underlying records. For example, the ESAP requirements might be flagged as overdue in a structured field, while the accompanying documentation suggests the actions were completed. In addition, supporting documentation is housed in ESGDocs, an unstructured repository organized by country and project folders. Together, these factors limited the evaluation team's ability to perform portfolio-wide analysis of E&S issues, such as risk reporting and actual versus recorded ESAP implementation status.

Another key data limitation concerns the prevalence of "no opinion possible" ratings in the E&S validations database. Such ratings reflect cases in which available documentation or monitoring evidence was insufficient to assess performance against applicable Performance Standards. For most projects, E&S validation ratings are based on desk-based reviews, except for 19 Project Performance Assessment Reports, for which IEG conducted field-based validations. As a result, for most of the portfolio, the evaluation is constrained by the scope, quality, and completeness of information provided in project documentation and by project teams. The constraints create analytic gaps that may mask areas of weak or uneven implementation, particularly where risks were present but not adequately documented. While these ratings do not indicate poor performance, their prevalence limits the evaluation team's ability to draw definitive conclusions about clients' E&S management system implementation and results across all Performance Standards and may lead to a partial view of E&S performance that reflects data availability rather than underlying compliance.

An additional limitation relates to case study selection and access. Although cases were identified through purposive sampling using predefined criteria to capture variation across investment typologies, the final short list of case study projects required clearance by IFC, and participation depended on clients' willingness to engage with the evaluation team. These steps, while necessary for operational and access reasons, may have introduced selection effects. In particular, the resulting sample may underrepresent projects with weaker IFC–client relationships, more contentious E&S issues, or lower levels of documentation and engagement. As a result, case study findings should be interpreted as illustrative of how the Sustainability Framework operates across a range of contexts rather than as representative of the full distribution of client experiences or E&S outcomes in the IFC portfolio.

A final limitation concerns the availability and granularity of data on financial intermediary clients' subportfolios. For most financial intermediary investments outside of fund structures, IFC reporting focuses on the intermediary entity rather than on underlying subprojects, resulting in limited and uneven visibility into the subportfolio composition, exposure to E&S risks, and the quality of risk management at the subproject level. As a result, the evaluation team was often unable to systematically assess the nature and magnitude of E&S risks faced by financial intermediary subborrowers or to evaluate how effectively those risks are identified, mitigated, and monitored in practice. While this lack of transparency is itself an important evaluation finding, it also constitutes a methodological constraint: for a substantial portion of the financial intermediary portfolio, subportfolio risks and outcomes remained largely unobservable to the evaluation team, creating a "black box" that limited comparability with direct investments and constrained conclusions about E&S performance beyond the intermediary level.

The evolving nature of the organizational structure limited the evaluation team's ability to draw definitive conclusions about effectiveness and attribution. Frequent changes in mandates, reporting lines, and team configurations during the evaluation period complicated the identification of a stable unit of analysis and made it difficult to disentangle outcomes associated with the intervention from those driven by broader organizational restructuring. These shifts also affected the consistency and comparability of data over time, as roles, performance indicators, and reporting practices have evolved. As a result, some findings reflect conditions specific to particular phases of the organizational evolution, requiring cautious interpretation and time-bound framing of conclusions.

Appendix B. Comparison of Multilateral Development Banks' Environmental and Social Frameworks

The evaluation team carried out a comparative benchmarking of the Sustainability Framework of the International Finance Corporation (IFC) with similar frameworks at peer institutions. The process involved comparing IFC's and peers' policy architecture, the scope and coverage of each Performance Standard, and a series of relevant cross-cutting issues. The team selected peer institutions based on the relevance of their operating model and respective environmental and social management approach to that of IFC. This approach resulted in inclusion of the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the World Bank. Box B.1 and tables B.1 through B.9 summarize the key findings.

Box B.1. Comparison of Environmental and Social Frameworks: Key Findings

Environmental and Social Frameworks

All peer institutions reviewed have frameworks that are more recent than the International Finance Corporation's (IFC's) 2012 Sustainability Framework, although the timing and scope of updates differ. The European Bank for Reconstruction and Development is the closest comparator in terms of private sector orientation, whereas the Asian Development Bank's recent framework is notable for explicitly addressing a wider range of instruments within a single structure. IDB Invest is not included because it uses IFC's Performance Standards as its technical reference point.

(continued)

Box B.1. Comparison of Environmental and Social Frameworks: Key Findings (cont.)

Table B1.1.1. Environmental and Social Frameworks of Peer Institutions

Institution	Framework	Year
Private sector focused		
International Finance Corporation	Sustainability Framework	2012
European Bank for Reconstruction and Development	Environmental and Social Policy	2024
Private sector focused		
World Bank	Environmental and Social Framework	2016
Inter-American Development Bank	Environmental and Social Policy Framework	2020
African Development Bank	Integrated Safeguards System	2023
Asian Development Bank	Environmental and Social Framework	2024

Source: Independent Evaluation Group.

Framework Architecture

The overall architecture of peer frameworks remains closely aligned with the structure established by IFC, including the distinction between institutional policy, lender responsibilities, and client requirements. Most institutions retain a standards-based approach for borrower obligations and follow a broadly similar sequencing of thematic areas.

Some institutions separate aspirational objectives from mandatory requirements through vision or policy statements, which can help clarify the distinction between high-level goals and operational obligations. Differences in architecture across institutions are otherwise limited and generally do not affect the core functioning of the frameworks.

Standards

Peer institutions have retained the original structure of eight core standards while expanding or adapting selected areas over time. In some cases, additional standards have been introduced to address themes such as financial intermediaries, stakeholder engagement, gender, or climate change.

(continued)

Box B.1. Comparison of Environmental and Social Frameworks: Key Findings (cont.)

These additions often reflect different approaches to organizing similar issues. In IFC's framework, many of these topics are addressed as cross-cutting themes or through guidance and implementation practice rather than through stand-alone standards. This approach represents a difference in how requirements are articulated, rather than a fundamental divergence in underlying objectives.

Standard 1: Assessment and Management of Environmental and Social Risks and Impacts

Across institutions, standard 1 (and its equivalents) provides the core framework for environmental and social risk management systems. IFC's Performance Standard 1 remains broadly aligned with peer approaches. Some peer frameworks articulate more explicitly how requirements apply across different instruments and contexts, including financial intermediaries and complex operations. IFC addresses many of these areas through guidance and operational practice, with variations in how explicitly they are reflected in policy text.

Standard 2: Labor and Working Conditions

Requirements related to labor and working conditions are broadly aligned across institutions and continue to draw on international standards, including those of the International Labour Organization. Some peer frameworks include more explicit provisions on topics such as data protection, gender-related risks, and grievance redress mechanisms. IFC addresses many of these aspects through guidance and practice, reflecting a difference in the degree of specification in policy language.

Standard 3: Resource Efficiency and Pollution Prevention

Peer frameworks include additional details in areas such as waste management, resource efficiency, and technological benchmarking. Some institutions frame these concepts using evolving terminology (for example, circular economy or best available techniques). IFC's framework reflects similar objectives, with differences in how these elements are specified and operationalized in policy and guidance.

(continued)

Box B.1. Comparison of Environmental and Social Frameworks: Key Findings (cont.)

Standard 4: Community Health, Safety, and Security

Peer institutions have elaborated on provisions related to community risks, including areas such as traffic safety, natural hazards, and climate-related risks. As with other standards, IFC addresses many of these issues, though the level of detail and specificity varies across institutions.

Standard 5: Land Acquisition and Involuntary Resettlement

Approaches to land acquisition and resettlement are broadly consistent across institutions. Peer frameworks include additional clarifications in areas such as vulnerable groups, legacy issues, and cases involving significant displacement. IFC's framework addresses these topics, with variation in how explicitly they are reflected in policy provisions.

Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

Peer frameworks have incorporated evolving practices in biodiversity management, including expanded consideration of ecosystem-level impacts and resource use. IFC's framework reflects similar core principles, with differences in the extent to which emerging practices are explicitly integrated into policy text versus guidance.

Standard 7: Indigenous Peoples

Frameworks across institutions address Indigenous Peoples' rights and impacts in broadly similar ways, with variations in definitions, scope, and application. Peer frameworks more explicitly incorporate certain elements, such as culturally appropriate grievance redress mechanisms and development planning. IFC addresses many of these areas within its existing structure, with differences in emphasis and level of detail.

Standard 8: Cultural Heritage

Policies on cultural heritage are broadly aligned across institutions. Peer frameworks include more explicit treatment of certain elements, such as intangible cultural heritage. IFC's framework incorporates these themes, with variation in how comprehensively they are specified.

(continued)

Box B.1. Comparison of Environmental and Social Frameworks: Key Findings (cont.)

Stakeholder Engagement and Information Disclosure

Most peer institutions include a dedicated standard on stakeholder engagement and information disclosure, whereas IFC addresses these requirements across multiple standards, particularly Performance Standard 1. This reflects different approaches to structuring similar requirements, with peer frameworks consolidating these elements into a single standard.

Financial Intermediaries

Several peer institutions include dedicated provisions or standards for financial intermediary operations, or provide more explicit guidance on how requirements apply across instruments. IFC addresses financial intermediary operations through its policy framework and guidance, with differences in how these requirements are organized and articulated.

Climate Change

Climate-related considerations are generally treated as cross-cutting themes across institutions, though some frameworks include stand-alone standards or more explicit provisions. IFC addresses climate risks through multiple standards and corporate strategies, with differences in how these aspects are specified within the policy framework.

Gender; Gender-Based Violence; and Sexual Exploitation, Abuse, and Harassment

Peer institutions increasingly incorporate gender and related risks explicitly within policy frameworks or standards, while IFC addresses many of these areas as cross-cutting issues supported by guidance and implementation practice. This reflects differences in how these themes are integrated and specified within frameworks.

Source: Independent Evaluation Group.

Visual Comparison

Tables B.1 through B.9 provide visualizations of the evaluation team's comparative benchmarking of IFC's Sustainability Framework with the frameworks of peer institutions. The focus is on comparing IFC's policy architecture and the scope and coverage of each Performance Standards with those of the peers.

Table B.1. Framework Architecture

Framework Elements	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Vision statement	—	—	√	—	√	√
E&S policy	√	√	√	√	√	√
Purpose, objectives, and outcome orientation	√	√	√	√	√	√
Commitments	√	√	√	√	√	√
Scope of application	√	√	√	√	√	√
Lender's roles and responsibilities	√	√	√	√	√	√
Borrower and client roles and responsibilities	√	√	√	√	√	√
Grievance redress and independent accountability mechanism	√	√	√	√	√	√
E&S standards	√	√	√	√	√	√
Exclusion list (included in the framework)	—	√	—	√	√	√
Access to Information Policy (included in the framework)	√	—	—	—	—	—

Source: Independent Evaluation Group.

Note: ADB = Asian Development Bank; AfDB = African Development Bank; E&S = environmental and social; EBRD = European Bank for Reconstruction and Development; IDB = Inter-American Development Bank; IFC = International Finance Corporation; √ = subissue receives full coverage in the Performance Standards (or equivalent) of the organization; √ = subissue receives partial coverage in the Performance Standards (or equivalent) of the organization; — = subissue receives no coverage in the Performance Standards (or equivalent) of the organization.

Table B.2. Standard 1: Assessment and Management of Environmental and Social Risks and Impacts

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Mitigation hierarchy	√	√	√	√	√	√
Human rights	√	√	—	√	—	—
World Bank Group Environmental, Health, and Safety Guidelines	√	—	√	√	√	√
Country borrower framework	—	—	√	—	√	√
Associated facility	√	√	√	√	√	√
Common approach	—	√	√	√	√	√
Third-party risks	√	√	√	√	√	√
Project-level E&S policy	√	√	—	√	—	—
E&S risk assessment process	√	√	√	√	√	√
Approach to existing facilities	√	√	√	√	√	√
Approach to undefined assets	√	—	—	√	√	√
Contextual risk and FCS	—	—	√	√	√	√
Social risks and vulnerable and disadvantaged groups	—	√	√	√	√	√
High-risk projects (additional requirements)	—	√	√	√	√	√
E&S management plans	√	√	√	√	√	√
Organizational capacity and competency	√	√	√	√	√	√
Emergency preparedness and response	√	—	—	√	√	—
Monitoring and review	√	√	√	√	√	√
Management of contractors	√	√	√	—	√	√
Other financing modalities and products	—	√	—	√	√	√
Stakeholder identification and analysis	√	√	√	√	√	√
Stakeholder engagement plan	√	√	√	√	√	√
Meaningful consultation	√	√	√	√	√	√
Project-level information disclosure	√	√	√	√	√	√

(continued)

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Free, prior, and informed consent	√	√	√	√	√	√
Grievance redress mechanism	—	√	√	√	√	√

Source: Independent Evaluation Group.

Note: ADB = Asian Development Bank; AfDB = African Development ank; E&S = environmental and social; EBRD = European Bank for Reconstruction and Development; FCS = fragile and conflict-affected situations; IDB = Inter-American Development Bank; IFC = International Finance Corporation; √ = subissue receives full coverage in the Performance Standards (or equivalent) of the organization; √ = subissue receives partial coverage in the Performance Standards (or equivalent) of the organization; — = subissue receives no coverage in the Performance Standards (or equivalent) of the organization.

Table B.3. Standard 2: Labor and Working Conditions

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
HR policies and procedures	—	—	√	—	√	√
Conditions of employment	√	√	√	√	√	√
Fair treatment and nondiscrimination	√	√	√	√	√	√
Privacy and data protection	—	√	—	—	—	√
Workers' organizations and freedom of association	√	√	√	√	√	√
Retrenchment and collective dismissal	√	√	—	√	√	√
Worker grievance redress mechanism	√	√	√	√	√	√
Child labor and age of employment	√	√	√	√	√	√
Forced labor	√	√	√	√	√	√
Violence, gender-based violence, and SEAH	√	√	√	√	√	√
Vulnerable and disadvantaged workers	√	√	√	√	√	√
Contracted workers	√	√	√	√	√	√
Community workers	—	—	√	—	√	√
Primary supply chain workers	√	√	√	√	√	√

(continued)

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
OHS assessment and management system	√	√	√	√	√	√
Worker accommodations and housing	√	√	√	√	√	√

Source: Independent Evaluation Group.

Note: ADB = Asian Development Bank; AfDB = African Development Bank; E&S = environmental and social; EBRD = European Bank for Reconstruction and Development; IDB = Inter-American Development Bank; IFC = International Finance Corporation; √ = subissue receives full coverage in the Performance Standards (or equivalent) of the organization; √ = subissue receives partial coverage in the Performance Standards (or equivalent) of the organization; — = subissue receives no coverage in the Performance Standards (or equivalent) of the organization.

Table B.4. Standard 3: Resource Efficiency and Pollution Prevention

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Good industry practice and GIIP	√	√	√	√	√	√
Best available technique and technology	—	√	—	√	—	√
Hazardous waste	√		√	√	√	√
Nonhazardous waste and inert waste						√
Hazardous substances and materials	√	√	√	√	√	√
Health and safety assessment	—	—	√	—	√	—
Historical pollution	√	—	√	√	√	√
Pest management	√	√	√	√	√	√
Use and management of antimicrobials	—	√	—	—	√	√
Energy	√	√	√	√	√	√
Water	√	√	√	√	√	√
Raw materials	√	√	√	√	√	√
Soil	—	√	—	—	—	√
High water demand and additional requirements	—	√	√	√	√	√
Circular economy	—	√	—	—	—	√

(continued)

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Reduce or minimize GHG emissions	√	√	√	√	√	√
GHG emissions quantification	√	√	√	√	√	√

Source: Independent Evaluation Group.

Note: ADB = Asian Development Bank; AfDB = African Development Bank; E&S = environmental and social; EBRD = European Bank for Reconstruction and Development; IDB = Inter-American Development Bank; IFC = International Finance Corporation; √ = subissue receives full coverage in the Performance Standards (or equivalent) of the organization; √ = subissue receives partial coverage in the Performance Standards (or equivalent) of the organization; — = subissue receives no coverage in the Performance Standards (or equivalent) of the organization.

Table B.5. Standard 4: Community Health, Safety, and Security

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Risk identification and management system	√	√	√	√	√	√
Information sharing, engagement, and training	√	√	√	√	√	√
Safety of infrastructure, buildings, and equipment	√	√	√	√	√	√
Safety of dams	√	—	√	—	√	√
Traffic and road safety	√	√	√	√	√	√
Risks and impacts to ecosystem services	√	—	√	√	√	√
Exposure to diseases	√	√	√	√	√	√
Hazardous materials safety	√	√	√	√	√	√
Emergency preparedness and response	√	√	√	√	√	√
Natural hazards and climate change	√	√	√	√	√	√
Gender-based violence and SEAH	—	√	—	√	√	√
Influx of project workers	√	√	√	—	√	√
Safety of services to communities	—	√	√	—	√	√
Product-related health and safety of consumers	—	√	—	—	—	√

(continued)

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Risk assessment and management plan	√	√	√	√	√	√
Grievance management	√	√	√	√	√	√
Government-led security services	√	√	√	—	√	√

Source: Independent Evaluation Group.

Note: ADB = Asian Development Bank; AfDB = African Development Bank; E&S = environmental and social; EBRD = European Bank for Reconstruction and Development; IDB = Inter-American Development Bank; IFC = International Finance Corporation; √ = subissue receives full coverage in the Performance Standards (or equivalent) of the organization; √ = subissue receives partial coverage in the Performance Standards (or equivalent) of the organization; — = subissue receives no coverage in the Performance Standards (or equivalent) of the organization.

Table B.6. Standard 5: Land Acquisition and Involuntary Resettlement

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Displacement occurring before project approval	—	√	√	—	√	√
People without title and land use rights	√	√	√	√	√	√
Census, baseline surveys, and eligibility determination	√	√	√	√	√	√
Economic displacement	√	√	√	√	√	√
Forced evictions	√	√	√	√	√	√
Stakeholder and community engagement	√	√	√	√	√	√
Vulnerable and disadvantaged groups	√	√	√	√	√	√
Gender considerations	√	√	√	√	√	√
Voluntary land donations and other modes of acquisition	√	√	√	—	—	√
Government and third-party role	√	√	√	√	√	√
Project-level grievance redress mechanism	√	√	√	√	√	√

(continued)

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Significant displacement and additional provisions	—	√	—	—	√	—
Security of tenure	√	√	√	√	√	√

Source: Independent Evaluation Group.

Note: ADB = Asian Development Bank; AfDB = African Development Bank; E&S = environmental and social; EBRD = European Bank for Reconstruction and Development; IDB = Inter-American Development Bank; IFC = International Finance Corporation; √ = subissue receives full coverage in the Performance Standards (or equivalent) of the organization; √ = subissue receives partial coverage in the Performance Standards (or equivalent) of the organization; — = subissue receives no coverage in the Performance Standards (or equivalent) of the organization.

Table B.7. Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Precautionary approach and adaptive management	√	√	√	√	√	√
Cumulative impacts	√	√	√	√	√	√
Landscape, seascape, and ecological integrity	√	√	—	√	—	√
Management of ecosystem services	√	√	√	√	√	√
Modified and natural habitats	√	—	√	√	√	√
Priority biodiversity features	—	√	—	—	—	√
Critical habitats	√	√	√	√	√	√
Offsets and no net loss	√	√	√	√	√	√
Offsets and net gain (critical habitat)	√	√	√	√	√	√
No-go zones and areas	—	—	√	√	√	√
Legally protected areas	√	√	√	√	√	√
Supply chains and primary suppliers	√	√	√	√	√	√
Use of genetic resources	—	√	√	—	—	√
Invasive alien species	√	√	√	√	√	√
Primary production	√	√	√	√	√	√
Genetically modified organisms	—	√	—	—	√	√

(continued)

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Animal welfare	√	√	—	—	√	√
Antimicrobial resistance	—	√	—	—	√	—

Source: Independent Evaluation Group.

Note: ADB = Asian Development Bank; AfDB = African Development Bank; E&S = environmental and social; EBRD = European Bank for Reconstruction and Development; IDB = Inter-American Development Bank; IFC = International Finance Corporation; √ = subissue receives full coverage in the Performance Standards (or equivalent) of the organization; √ = subissue receives partial coverage in the Performance Standards (or equivalent) of the organization; — = subissue receives no coverage in the Performance Standards (or equivalent) of the organization.

Table B.8. Standard 7: Indigenous Peoples

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Cumulative application of characteristics of Indigenous Peoples (four characteristics)	√	√	√	√	√	√
Engagement, participation, and consultations	√	√	√	√	√	√
Reference to rights and human rights	√	√	√	√	√	√
Development planning for Indigenous Peoples	—	—	√	—	√	√
Impacts on lands subject to traditional ownership	√	√	√	√	√	√
Development of natural resourc-es on traditionally owned land	√	√	√	√	√	√
Free, prior, and informed consent	√	√	√	√	√	√
Compensation and equitable access to benefits	—	√	√	√	√	√
Relocation of Indigenous Peoples	√	√	√	√	√	√
Cultural heritage	√	√	√	√	√	√
Peoples in voluntary isolation and remote groups	—	—	√	√	—	√
Culturally appropriate grievance redress mechanism	—	√	√	—	√	√

Source: Independent Evaluation Group.

Note: ADB = Asian Development Bank; AfDB = African Development Bank; E&S = environmental and social; EBRD = European Bank for Reconstruction and Development; IDB = Inter-American Development

Bank; IFC = International Finance Corporation; √ = subissue receives full coverage in the Performance Standards (or equivalent) of the organization; √ = subissue receives partial coverage in the Performance Standards (or equivalent) of the organization; — = subissue receives no coverage in the Performance Standards (or equivalent) of the organization.

Table B.9. Standard 8: Cultural Heritage

Organizing Theme	IFC (2012)	EBRD (2024)	World Bank (2016)	IDB (2020)	AfDB (2023)	ADB (2024)
Tangible and intangible cultural heritage	√	√	√	√	√	√
Replicable and nonreplicable cultural heritage	√	—	—	√	—	√
Movable cultural heritage	—	√	√	—	√	√
Assessment of risks and protection of cultural heritage	√	√	√	√	√	√
Stakeholder engagement	√	√	√	√	√	√
Stakeholder and community access	√	√	√	√	√	√
Chance find procedures	√	√	√	√	√	√
Confidentiality of location	—	√	√	—	√	√
Legally protected cultural heritage	√	√	√	√	√	√
Intangible cultural heritage	√	√	√	√	√	√
Special types of cultural heritage	—	√	√	—	√	√
Removal of cultural heritage	√	—	—	√	√	√
Commercial use of cultural heritage	√	√	√	√	√	√

Source: Independent Evaluation Group.

Note: ADB = Asian Development Bank; AfDB = African Development Bank; E&S = environmental and social; EBRD = European Bank for Reconstruction and Development; IDB = Inter-American Development Bank; IFC = International Finance Corporation; √ = subissue receives full coverage in the Performance Standards (or equivalent) of the organization; √ = subissue receives partial coverage in the Performance Standards (or equivalent) of the organization; — = subissue receives no coverage in the Performance Standards (or equivalent) of the organization.

Appendix C. Econometric Analysis

This appendix documents the evaluation team's econometric analysis that examines the determinants of environmental and social (E&S) performance in projects supported by the International Finance Corporation (IFC). The analysis addressed two related questions: (i) What factors are associated with achieving positive E&S performance at evaluation? and (ii) What factors are associated with improvements in performance between appraisal and evaluation? The objective was to test whether project characteristics, country context, and IFC engagement are systematically related to observed performance patterns.

Literature Review and Conceptual Framework

The team's analytic approach was grounded in the literature on environmental, social, and governance performance and corporate social responsibility. Prior empirical work emphasizes three broad theoretical explanations for why firms differ in sustainability performance. Institutional theory highlights the role of formal and informal rules, regulatory environments, and country context in shaping firm behavior. Legitimization theory suggests that firms improve environmental, social, and governance performance to gain or maintain social legitimacy, particularly when operating in higher-risk or more visible contexts. Stakeholder theory emphasizes the influence of external stakeholders (including financiers, regulators, and communities) on firm incentives and behavior.

Building on these strands, the analytic approach distinguished between external factors—such as country characteristics, time effects, and environmental risk—and internal or project-level factors, including IFC's role and contribution, the client's organizational capacity, and the nature of the financial instrument. The team hypothesized that these factors influence both the level of E&S performance at project maturity and the likelihood of improvement over the project life cycle.

Data Sources and Methods

The evaluation conducted the econometric analysis separately for direct investments and financial intermediary projects because of the differences in rating systems and standards. This separation is aligned with the rest of the evaluation's analysis. The team restricted the sample to projects evaluated under the 2012 E&S policy for consistency with the scope of the evaluation, resulting in 228 direct investment projects and 229 financial intermediary projects. Not all projects had complete data for all variables included in the analysis.

The analysis used E&S performance ratings and other information from the Expanded Project Supervision Reports, as described in box 3.1. The analysis defined two outcome variables: the first captures whether a project achieved a positive E&S performance rating at project maturity, and the second captures whether a project experienced an improvement in performance between project approval and maturity.

The evaluation estimated the following logit models for each dependent variable:

$$logit(y) = \beta_0 + \beta_1(IDA) + \beta_2(Evaluation\ Year) + \beta_3(Environmental\ Category) + \beta_4(First\ ESRR) + \beta_5(Instrument) + \beta_6(IFC\text{'s work quality at approval}) + \beta_7(IFC\text{'s work quality at supervision}) + \beta_8(Client\ Capacity) + \beta_9(IFC\ E\&S\ Additionality) + \varepsilon$$

where E&S = environmental and social; ESRR = environmental and social risk rating; IDA = International Development Association; IFC = International Finance Corporation.

Results

Table C.1 reports on the results for direct investments, and table C.2 reports on the results for financial intermediaries. For each outcome, two specifications are reported. The first includes only explanatory variables that are exogenous to the ratings system, such as whether the country is International Development Association eligible, evaluation year, environmental risk category, instrument type, and the first environmental and social risk ratings assigned by IFC. The second specification augments this model by including variables that are part of the ratings framework itself, notably ratings for host country laws at approval, IFC's work quality at approval and supervision, IFC's rating on E&S additionality, and client's organizational capacity at approval. Chapter 3 presents the key findings from this analysis.

Table C.1. Results of Econometric Analysis for Direct Investments

	E&S Performance at Maturity		Change in E&S Performance from Approval to Maturity	
	External variables	All variables	External variables	All variables
(Intercept)	1.359 (0.915)	−6.232* (2.844)	−1.287 (0.967)	−23.607 (1664.049)
IDA	−0.533 (0.381)	−0.274 (0.877)	−0.145 (0.377)	−0.677 (0.568)
Evaluation year 2020	0.113 (0.597)	2.894* (1.326)	0.557 (0.563)	2.138* (0.860)
Evaluation year 2021	−0.830 (0.539)	−0.387 (0.998)	−0.621 (0.559)	−0.023 (0.720)
Evaluation year 2022	0.243 (0.581)	4.438** (1.708)	0.769 (0.568)	3.226** (1.219)
Evaluation year 2023	0.407 (0.657)	2.059 (1.361)	0.638 (0.577)	1.515+ (0.806)
Evaluation year 2024	−0.034 (0.577)	1.807 (1.239)	0.184 (0.558)	0.617 (0.832)
Environmental category B	0.481 (0.460)	2.474* (1.142)	0.505 (0.543)	1.694+ (0.890)
Instrument loan	0.846* (0.416)	0.595 (0.880)	−0.184 (0.417)	0.285 (0.671)
Instrument loan and equity	0.684 (0.750)	1.690 (1.449)	0.638 (0.732)	1.697 (1.120)
First ESRR	−0.638* (0.312)	−1.087 (0.688)	0.238 (0.322)	−0.200 (0.493)
Rating on host country laws at approval		0.654 (0.964)		0.119 (0.880)
IFC's work quality at approval		1.078 (1.218)		18.941 (1664.047)
IFC's work quality at supervision		−0.810 (1.302)		0.612 (1.577)

(continued)

	E&S Performance at Maturity		Change in E&S Performance from Approval to Maturity	
	External variables	All variables	External variables	All variables
IFC's E&S additionality		6.455*** (1.427)		3.446*** (0.928)
Client capacity at approval		1.239 (0.858)		−1.453** (0.562)
Observations (no).	178	126	158	126
AIC	226.5	97.1	228.7	140.4
BIC	261.5	142.4	262.4	185.8
Log-likelihood	−102.265	−32.525	−103.368	−54.219
RMSE	0.44	0.28	0.48	0.37

Source: Independent Evaluation Group.

Note: AIC = Akaike information criterion; BIC = Bayesian information criterion; E&S = environmental and social; ESRR = environmental and social risk rating; IDA = International Development Association; IFC = International Finance Corporation; RMSE = root mean square error.

+p <.1 *p <.05 **p <.01 ***p <.001.

Table C.2. Results of Econometric Analysis for Financial Intermediaries

	E&S Performance at Maturity		Change in E&S Performance from Approval to Maturity	
	External variables	All variables	External variables	All variables
(Intercept)	6.913** (2.680)	−18.878 (17730.371)	3.886+ (2.116)	−17.974 (2399.552)
IDA	0.278 (0.646)	0.452 (1.144)	0.356 (0.426)	2.246 (1.373)
Evaluation year 2020	−0.380 (0.774)	−0.428 (1.717)	−1.112+ (0.595)	−2.002 (1.846)
Evaluation year 2021	−0.770 (0.835)	2.427 (2.770)	−0.604 (0.693)	4.198 (3.154)
Evaluation year 2022	0.401 (0.962)	−0.061 (1.841)	−0.220 (0.645)	−0.715 (1.755)

(continued)

	E&S Performance at Maturity		Change in E&S Performance from Approval to Maturity	
	External variables	All variables	External variables	All variables
Evaluation year 2023	1.332 (1.197)	−0.123 (1.813)	−0.555 (0.618)	−0.744 (1.862)
Evaluation year 2024	18.477 (1972.046)	19.590 (3464.423)	−0.436 (0.663)	1.181 (1.895)
Environmental category FI-1	1.422 (1.659)	2.483 (3.549)	0.100 (1.412)	5.546 (3.920)
Environmental category FI-2	1.463 (1.507)	2.088 (3.231)	−0.027 (1.324)	0.774 (3.168)
Environmental category FI-3	19.332 (2517.129)	20.600 (6242.432)	0.208 (1.408)	2.547 (4.332)
Instrument loan	−1.218 (1.551)	−1.041 (2.201)	−1.323 (1.182)	1.765 (2.021)
Instrument loan and equity	−1.736 (1.967)	0.309 (7.326)	−2.127 (1.548)	−2.757 (3.516)
FIG or fund	0.050 (1.760)	0.729 (3.418)	−1.167 (1.276)	0.838 (2.302)
First ESRR	−2.831** (0.902)	−5.390* (2.296)	−0.886+ (0.531)	−2.864* (1.281)
Rating on host country laws at approval		1.236 (1.240)		−2.866 (1.764)
IFC's work quality at approval		22.998 (17730.370)		17.501 (2399.545)
FC's work quality at supervision		4.191* (1.867)		3.421+ (1.917)
IFC's E&S additionality		3.047* (1.491)		6.044* (2.817)
Client capacity at approval		0.776 (1.545)		−5.458*** (1.326)
Observations (no.)	147	98	140	98
AIC	113.3	72.9	206.7	78.1
BIC	155.1	122.1	247.8	127.2
Log-likelihood	−42.637	−17.468	−89.327	−20.044

(continued)

	E&S Performance at Maturity		Change in E&S Performance from Approval to Maturity	
	External variables	All variables	External variables	All variables
RMSE	0.30	0.22	0.47	0.23

Source: Independent Evaluation Group.

Note: AIC = Akaike information criterion; BIC = Bayesian information criterion; E&S = environmental and social; ESRR = environmental and social risk rating; FIG = Financial Institutions Group; IDA = International Development Association; IFC = International Finance Corporation; RMSE = root mean square error.

$+p < .1$ $^{*}p < .05$ $^{**}p < .01$ $^{***}p < .001$.

Additional estimations included interactions between IFC's E&S additionality and client capacity and measures of projects size. On the former, the analysis found that interactions between IFC's additionality and client capacity are not statistically significant either for direct investments or financial intermediaries. On the latter, project size is not statistically significant. When including project size, the coefficient on additionality does not change and remains statistically significant. For direct investments, the coefficient on client capacity is not significant anymore, which could be explained by the correlation between size and capacity. That is not the case for financial intermediary investments, in which the coefficient on capacity remains statistically significant. Additional robustness checks incorporating projects evaluated under the 2006 policy show that the estimated effect of IFC's additionality remains large and statistically significant, while the direction and significance of client capacity effects remain broadly consistent.

Limitations

This econometric analysis has two important limitations. First, data were not complete for all variables in all projects included in the analysis, as discussed in chapter 3. Second, many of the variables included in the analysis are correlated among themselves and with the outcome variables, as many of them belong to the same rating systems and measure different dimensions of the same underlying phenomena (namely, overall performance).

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