IFC's Approach to Responsible Exit

IFC's approach to responsible exit builds on IFC's Sustainability Policy to strengthen its analysis of and management of environmental and social issues throughout the project cycle, including at the point of exit. The approach includes responsible exit principles to support decision-making on whether and how to exit an investment[1].

In developing the approach, in addition to considering IFC's Articles of Agreement, features of its business model and peer institution practices, IFC also considered various relevant theories and practice.

What are the principles?

Principle 1. Evaluate the achievement and sustainability of the targeted development impact. Prior to exit, IFC should evaluate the achievement and sustainability of the targeted development impact of the project. IFC should consider the project outcomes that have been achieved to date, whether remaining invested would or would not enhance the likelihood of achieving or sustaining that impact, and any additional practicable actions that should be taken to achieve or sustain that impact, within a timeframe that is substantially consistent with the contemplated timeline for that investment.
Principle 2. Address E&S issues. IFC should: **A.** Take into consideration the status and timeline for the Client's implementation of any outstanding action items in the ESAP as well as possible options to structure the exit in a way that enables the resolution of any such outstanding items. **B.** Take into consideration whether IFC's exit would increase or exacerbate existing significant E&S issues, and if so, evaluate options available, if any. **C.** Where feasible, seek to address any other E&S risks identified during the life of the investment that could materialize post exit and cause imminent and serious harm to public health, safety, or security, and/or imminent and significant adverse impacts on the environment. **D.** Work with the Client to consider any remediation measures to address a., b. and/or c. above as needed, in each case, to the extent practicable and prior to exit. **E.** Evaluate the reputational risks to IFC of continuing to remain engaged in the project if a., b., c. and d. above cannot be achieved.

[1] These principles are not prescriptive in nature. Application of the responsible exit principles will be determined on a case-by-case basis reflecting and taking into consideration the specific requirements in relation to the relevant exit.

Principle 3. Use leverage pre-exit. IFC should use the practicable leverage it has over the Client prior to exit for the Client to implement the ESAP and other action plans and to address and/or mitigate any other adverse E&S risks and impacts that are both likely and severe, including considering any remediation measures.
Principle 4. Consider institutional constraints and precedential implications. IFC's exit should be consistent with IFC's private sector development mandate (IFC Articles of Agreement, Article I); Operations (IFC Articles of Agreement, Article III, Section 3, Section 4); risk considerations (including significant reputational damage and legal liability) and should consider precedential implications for IFC.
Principle 5. Consider impact on mobilization. Where IFC has mobilized additional investors (debt, equity, funds, or other products), due consideration to be given to IFC's role in such mobilization efforts.

When do the principles apply?

The principles apply to all active exits, i.e. when IFC proactively and voluntarily decides to exit a project. The principles do not apply to a client's normal repayment or pre-payment of a loan or any other instances which occur without the need for IFC's consent.