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IFC’s Responsible Exit Principles

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On October 4, 2024, the International Finance Corporation (“**IFC**”) published “*IFC’s Approach to Responsible Exit*,” outlining five principles to guide responsible divestment from active investments. This guideline promotes accountability, particularly in projects where IFC’s exit may pose environmental or social (“**E&S**”) risks to affected communities. The guideline only applies to active exits; it does not apply to a normal loan repayment or to a pre-payment that occurs without IFC’s consent.

Principle 1. Evaluate the Development Impact.

- IFC should assess whether the project’s intended development impact has been achieved and whether that impact can be sustained post-exit. It should also consider whether continued involvement would materially support that outcome.

Principle 2. Address E&S Issues.

- IFC should evaluate the status of outstanding actions under the Environmental and Social Action Plan (“**ESAP**”), potential adverse E&S impacts caused by its exit, ongoing or emerging E&S risks that could cause serious harm, and reputational risk arising from unresolved E&S concerns. IFC is expected to work with clients to mitigate these risks before exiting.

Principle 3. Use Leverage Before Exiting.

- IFC should use its influence to encourage clients to fulfill ESAP obligations and address material E&S risks before withdrawal.

Principle 4. Consider Institutional Constraints and Precedents.

- Exits should align with IFC's private sector development mandate, operations, and risk considerations under its Articles of Agreement. IFC should also consider the precedential implications of each exit.

Principle 5. Assess Impact on Mobilization.

- Where IFC has mobilized other investors, it should evaluate how its exit may affect co-investment stability and broader market confidence.

These principles are not prescriptive in nature; but will be applied by IFC on a case-by-case basis. They will however set expectations for IFC. IFC's private sector partners and clients who fail to support these principles may risk losing access to IFC support and financing.

While development finance institutions ("**DFIs**") may prefer exit terms that offer commercial flexibility, responsible exit frameworks may require extended involvement to resolve E&S issues. Properly structured exits will help protect all stakeholders, including investors, clients, and communities, by preserving project integrity and DFI credibility.

To support these goals, DFIs should consider:

- clearly defining measurable development objectives at project inception, including consideration of environmental externalities;
- engaging legal counsel to draft contractual provisions that align with responsible exit standards;
- incorporating enforceable obligations requiring clients to prevent or remedy E&S harms, including through ESAP-linked disbursement conditions;
- requiring client-funded remedial programs to address E&S harms where applicable; and
- maintaining direct engagement with affected communities, including providing public notice before exiting, to ensure transparency and accountability.

IFC's Responsible Exit Principles provide a vital blueprint for DFIs and private investors committed to sustainable, ethical development. Thoughtful implementation of these standards will strengthen public trust, ensure continuity of positive impact, and safeguard the long-term viability of development finance projects.

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