Growing evidence show that climate action failure and manmade environmental damage will exacerbate climate change over the next decade, leading to extreme weather, biodiversity loss, natural-resource crises, and environmental degradation.

As countries grapple with such environmental and social challenges, **sustainable finance** has become a powerful mechanism to help them improve resilience. During the COVID-19 pandemic, for example, leading countries have shown that proactive actions can unlock financing for new green and inclusive sectors.

The State Bank of Pakistan (SBP) launched the **Green Banking Guidelines (GBGs)** in October 2017 as a first step to integrating environmental and social (E&S) risks into overall credit assessment, ensuring a level-playing field for the financial sector, and promoting sustainable economic development. The guidelines align with IFC’s sustainable finance approach. The SBP, with support from IFC, developed the Environmental and Social Risk Management (ESRM) Implementation Manual to provide banks with the right tools and procedures to overcome challenges they have encountered in implementing the guidelines.

**IFC’s Enabling Sustainable Banking in Pakistan Project** (the Program) leverages its global knowledge and expertise in sustainable finance to help banks improve their E&S practices, with a focus on ESRM. The Program organizes capacity-building sessions to familiarize banks with ESRM practices that are compliant with the GBGs, IFC Performance Standards, and other Pakistan regulations. ESRM helps financial institutions identify E&S risks associated with their clients or investees and minimize the potential impacts from such exposure on their lending and investment portfolios. This reduces the financial institutions’ financial liability and reputational risks arising from E&S issues amid a tightening regulatory environment. In addition to improved management of E&S risks, financial institutions can also seize a growing cluster of sustainability business opportunities such as renewable energy and carbon finance, outperform their competitors, and attract new capital.

Through the capacity-building training, participants can learn how to develop an environmental and social management system (ESMS). An ESMS places significant emphasis on a bank’s E&S policy and capacity as well as procedures for identifying, assessing, managing, monitoring, and reporting E&S risks. A key part of a bank’s ESMS is a pre-transaction environmental and social due diligence (ESDD), which encompasses identification and assessment of a project’s E&S risks as well as proposed mitigation measures in the form of an environmental and social action plan. Financial institutions often require such an action plan as a condition of financing together with E&S performance monitoring following the transaction.
Pakistan Sustainable Banking
Environmental and Social Risk Management

TRAINING OF TRAINERS PROGRAM

Each module delves deeply into ESRM practices through specially designed interactive activities for context-specific E&S risks in Pakistan and the corresponding effective measures adopted by IFC and the World Bank for financial institutions.

The IFC training is developed to equip participants with the relevant skills and knowledge to:

- Raise awareness among financial institutions and local consultants on the importance of sustainable finance
- Understand international standards and requirements, such as IFC Performance Standards
- Effectively handle environmental and social risks in the financial sector through ESRM
- Become effective trainers.

### Module 1
Introduction of an Environmental and Social Risk Management System
- Full picture of sustainability trends
- Overview of ESRM components
- Why need an ESRM?

### Module 2
ESRM in Pakistan
- E&S legal framework in Pakistan
- SBP Green Banking Guidelines and ESRM Implementation Manual

### Module 3
Overview of IFC Performance Standards

### Module 4
Demystifying ESRM: Environmental and Social Management System Development
- Applicable E&S standards for ESMS of financial institutions
- ESMS components, including E&S policy and capacity, E&S risk evaluation, categorization, and management as well as E&S risk monitoring and reporting
- Gaps of ESMS requirements in GBGs 2017 and IFC Performance Standards

### Module 5
Implementing ESRM: Environmental and Social Due Diligence Fundamentals
- Overview of an ESDD roadmap: ESDD inception, desktop review, site visit, ESDD report, preparing an environmental and social action plan, and post-transaction monitoring

### Module 6
Post-Transaction Monitoring
- Overview of E&S requirements on lenders and investees for the project lifecycle
- Conditions of financing – E&S legal covenants and additional E&S impact studies
- Monitoring of E&S risks

### Module 7
Soft Skills for Training Delivery

For additional information, please contact:
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