December 23, 2020
Office of the Compliance Advisor Ombudsman (CAO)

COMPLIANCE APPRAISAL: SUMMARY OF RESULTS

Bridge International Academies-04 (IFC Project #32171, #38733, #39170 and #39224)
Global

This appraisal presents a summary of results of a CAO Vice-President initiated appraisal of IFC's investments in Bridge International Academies in relation to issues of child safeguarding and protection, including child sexual abuse.

Bridge International Academies ("Bridge" or the "company") is a wholly owned Kenyan subsidiary of New Globe Schools, Inc. It operates Africa's largest chain of low-cost private schools. The company has been an IFC client since 2014, when IFC made its first preferred equity investment of US$10 million. IFC's current investment in the company totals US$13.5 million. IFC's investment was intended to support the expansion of Bridge's network of schools in Kenya and entrance into three new markets (the "project"). At the time of IFC's investment, Bridge owned 211 schools in Kenya serving over 57,000 pre-primary and primary level students. Bridge currently operates schools in Kenya, Uganda, Liberia, Nigeria and India – either through academies owned by Bridge and operating a parent-paid model or through schools operated in partnership with government.

IFC anticipated that the project would promote access to basic education, promote affordability, improve quality and accountability, create jobs and improve student nutrition. Further, IFC anticipated that the project would act as a consolidator in the sector and provide a "demonstration effect" that would, if successful, attract other companies to employ similar strategies.

In April 2018, CAO received a complaint from the East Africa Centre for Human Rights, a Kenyan NGO, on behalf of current and former parents and teachers regarding IFC's investment in Bridge in Kenya (the BIA-01 case). The BIA-01 complaint was transferred to CAO's compliance function for appraisal and CAO initiated an investigation in October 2019. In the course of the BIA-01 investigation, CAO staff and experts traveled to Nairobi in February 2020. The investigation team spoke to community members who raised concerns regarding several instances of child sexual abuse at Bridge schools. In September 2020, the Vice President requested that CAO consider these issues in a compliance appraisal.

The purpose of a CAO compliance appraisal is to ensure that compliance investigations are initiated only in relation to IFC investments that raise substantial concerns regarding environmental and social (E&S) outcomes and/or issues of systemic importance to IFC. In determining whether to initiate an investigation, CAO weighs a number of factors including the magnitude of the E&S concerns raised in a complaint, results of a preliminary review of IFC's E&S performance in relation to these issues, the existence of questions concerning the adequacy of

IFC's requirements, and a more general assessment of whether a compliance investigation is the appropriate response in the circumstances.

It is beyond the scope of a CAO compliance appraisal to reach a conclusion on whether the company's business activities have in fact had significant adverse E&S impacts. The question at this point is whether a preliminary review of available information related to the issues raised in the Vice President's request raise substantial concerns regarding the E&S outcomes of IFC's investment. CAO concludes that there are substantial concerns regarding the child safeguarding and protection outcomes of IFC's investment in Bridge considering: (a) specific allegations of child sexual abuse involving Bridge staff and students; (b) the child safeguarding and protection risks of the schools in light of their number, their student body (coming from low-income families), and the young age of students.

CAO's initial review of the project documentation raises questions as to the adequacy of IFC's due diligence and supervision against the requirements of the Sustainability Framework, in particular whether IFC's pre-investment review and subsequent supervision of the project properly considered the requirements of Performance Standards 1 and 4 as relevant to child safeguarding and protection risks.

Overall, CAO has determined that an investigation is an appropriate response to the issues raised in the Vice President's request. In making this decision, CAO has taken into account the seriousness of the risks and impacts raised, the scale of the client's business globally, and the vulnerable status of children and families who are the target market for Bridge schools.

CAO's compliance investigation will consider the adequacy of IFC's due diligence and supervision against the requirements of its Sustainability Framework. In the course of its investigation, CAO may also consider whether IFC's policy framework provides an appropriate level of protection in relation to child safeguarding and protection. Further details of the investigation scope will be set out in the investigation Terms of Reference, to be prepared in accordance with CAO's Operational Guidelines. CAO expects to complete its investigation by December 2021.

About CAO

CAO's mission is to serve as a fair, trusted, and effective independent recourse mechanism and to improve the environmental and social accountability of IFC and MIGA.

CAO (Office of the Compliance Advisor Ombudsman) is an independent post that reports directly to the President of the World Bank Group. CAO reviews complaints from communities affected by development projects undertaken by the two private sector arms of the World Bank Group, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

For more information about CAO, please visit www.cao-ombudsman.org

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I. Overview of the Compliance Appraisal Process

In accordance with CAO's Operational Guidelines, the CAO Vice President may request a compliance appraisal of one or IFC/MIGA projects based on project-specific or systemic concerns resulting from CAO Dispute Resolution and Compliance casework (OG 4.2.1).

The focus of the CAO compliance function is on IFC and MIGA, not their clients. CAO assesses how IFC/MIGA assured itself/themselves of the performance of its business activity or advice, as well as whether the outcomes of the business activity or advice are consistent with the intent of the relevant policy provisions. In many cases, however, in assessing the performance of the project and IFC's/MIGA's implementation of measures to meet the relevant policy requirements, it will be necessary for CAO to review the actions of the client and verify outcomes in the field.

In order to decide whether a compliance investigation is warranted, CAO first conducts a compliance appraisal. The purpose of the compliance appraisal process is to ensure that compliance investigations are initiated only for those projects that raise substantial concerns regarding environmental and/or social outcomes, and/or issues of systemic importance to IFC/MIGA.

To guide the compliance appraisal process, CAO applies several basic criteria. These criteria test the value of undertaking a compliance investigation, as CAO seeks to determine whether:

- There is evidence of potentially significant adverse environmental and/or social outcome(s) now, or in the future.
- There are indications that a policy or other appraisal criteria may not have been adhered to or properly applied by IFC/MIGA.
- There is evidence that indicates that IFC's/MIGA's provisions, whether or not complied with, have failed to provide an adequate level of protection.

In conducting the appraisal, CAO will engage with the IFC/MIGA team working with the specific project and other stakeholders to understand which criteria IFC/MIGA used to assure itself/themselves of the performance of the project, how IFC/MIGA assured itself/themselves of compliance with these criteria, how IFC/MIGA assured itself/themselves that these provisions provided an adequate level of protection, and, generally, whether a compliance investigation is the appropriate response. After a compliance appraisal has been completed, CAO can either close the case or initiate a compliance investigation of IFC or MIGA.

Once CAO concludes a compliance appraisal, it will advise IFC/MIGA, the World Bank Group President, and the Board of the outcome in writing. A summary of all appraisal results will be made public. If CAO decides to initiate a compliance investigation as a result of the compliance appraisal, CAO will draw up terms of reference for the compliance investigation in accordance with CAO's Operational Guidelines.

II. Background

Investment

NewGlobe Schools, Inc. (NGS) is a Delaware corporation. Bridge International Academies ("Bridge" or the "company") is the wholly owned Kenyan subsidiary of NGS. IFC made a preferred equity investment of US$10 million in NGS in January 2014 (Project #32171). IFC made subsequent investments in NGS in July and November 2016 (Project #38733, #39170 and #39224). IFC's total equity investment as of November 2020 was US$13.5 million.

IFC disclosures note that Bridge aims to provide quality education to children from families earning less than US$2 per person per day.[1] IFC reports that Bridge builds schools on greenfield sites located in high-density, low-income communities. IFC describes the company's model as leveraging "centralized curriculum development, teacher training, and a comprehensive technology platform to provide quality education at an affordable cost."[2] IFC anticipated that the project would promote access to basic education, promote affordability, improve quality and accountability, create jobs and improve student nutrition.[3] Further, IFC anticipated that the project would act as a consolidator in the sector and provide a "demonstration effect" that would, if successful, attract other companies to employ similar strategies.[4]

The investment was classified as Category B, indicating that IFC assessed that its potential adverse environmental and social risks were limited, reversible and may be readily mitigated.[5]

IFC's investment was intended to support the expansion of Bridge's network of schools in Kenya and its entrance into three new markets (the "project").[6] At the time of IFC's investment, Bridge owned 211 schools in Kenya serving over 57,000 pre-primary and primary level students (aged from 3-14 years old).[7] In 2020 the Company owned and operated 297 schools in Kenya, 47 schools in Uganda and 63 schools in Nigeria.[8] In addition, the client reported that it partnered with

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[1] IFC Project Information Portal, "Bridge International Academies," Summary of Investment Information (SII), Expected Development Impact, October 30, 2013, available at: https://disclosures.ifc.org/#/projectDetail/SII/32171.

[2] IFC Project Information Portal, "Bridge International Academies," Environmental and Social Review Summary (ESRS), Project Description, October 30, 2013, available at: https://disclosures.ifc.org/#/projectDetail/ESRS/32171.

[3] IFC, 2013, SII, "Expected Development Impact."

[4] IFC, 2013, ESRS, "Expected Development Impact."

[5] IFC, 2013, ESRS.

[6] IFC, 2013, SII.

[7] IFC, 2013, ESRS.

[8] Bridge International Academies Website, http://www.bridgeinternationalacademies.com.

governments to operate 6 schools in India,[9] 170 schools in Liberia,[10] and to support teacher training of 12,000 teachers in 578 schools in Nigeria.[11]

BIA-01 Case

In April 2018, CAO received a complaint from the East Africa Centre for Human Rights (EACHRights), a Kenyan NGO, on behalf of a group of current and former parents and teachers (the "complainants") regarding IFC's investment in Bridge in Kenya (the BIA-01 case). The complainants concerns related to a range of issues, including compliance with Kenyan regulations, school conditions and child safety.

CAO found the complaint eligible in May 2018 and CAO conducted an assessment in accordance with its Operational Guidelines. The complaint was referred to the CAO compliance function in March 2019, and CAO initiated an investigation in October 2019. The BIA-01 investigation is ongoing.

Child Safeguarding and Protection Concerns

During the BIA-01 investigation, CAO staff and experts traveled to Nairobi in February 2020. The investigation team spoke with complainants and community members, as well as client representatives and local authorities. In discussion with CAO, community members raised concerns regarding child safeguarding and protection issues including specific allegations regarding child sexual abuse incidents by teachers at Bridge schools involving over ten children.

CAO sought information from the client about its systems for child safeguarding and protection, including systems to prevent and respond to instances of child sexual abuse, and the client's handling of past incidents. CAO also noted to IFC staff and management that concerns had been raised regarding child safeguarding and protection.

Document Access and Confidentiality Agreement

Some information relevant to the client's policy and approach to child safeguarding and protection issues, including child sexual abuse, is included in the IFC project record and has been reviewed by CAO. CAO requested additional information from the client in February 2020, but the information was not provided at that time.

In June 2020, as part of discussions to arrange access to client information about child sexual abuse issues, IFC and the client entered into a wide-ranging confidentiality agreement that purports to cover CAO's work. The confidentiality agreement was reached without CAO's agreement or participation. While the agreement affirms CAO's access to client information, it

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[9] Bridge International Academies, "Improving education for thousands of children in India," May 2017, available at: https://bit.ly/2SUfrLY.

[10] In 2016, the client engaged in a public-private partnership with the government of Liberia to manage 50 schools as part of a pilot initiative, see IFC, 2016, "Bridge: Built for change" Inclusive Business Case Study, available at: https://bit.ly/3dpa150. In 2020, the client reported that it was managing 170 schools in Liberia, Bridge International Academies website, "Learning gains in Liberia" available at: https://bit.ly/3hgMQvH.

[11] Bridge International Academies website, "EdoBEST" available at: https://bit.ly/3jo9CBk.

also includes commitments from IFC that CAO will not disclose information that the client asserts to be confidential.

In this context, CAO notes that its mandate requires it to (i) verify evidence as part of its compliance investigation process (OG 4.3); and (ii) report its findings with respect to any adverse environmental and/or social outcomes, including the extent to which these are verifiable. CAO also notes that important privacy concerns arise in relation to issues of child safeguarding and protection for both the children and the alleged perpetrators. CAO's reporting on these issues will follow good international industry practice in relation to privacy protection in addition to applying the framework for disclosure of information provided by IFC's Access to Information Policy and CAO's Operational Guidelines.

Methodology

In conducting this appraisal, CAO carried out a desk review of project documentation and considered accounts provided by IFC staff, complainants and community members in the course of its BIA-01 investigation. CAO spoke with IFC staff responsible for the investment specifically in relation to child safeguarding and protection issues, including child sexual abuse issues. CAO also spoke with the client to consider its perspective on the issues raised in the Vice President's request. CAO's appraisal report has been reviewed by a specialist consultant with child safeguarding and protection practice, including expertise in supporting the development and implementation of safeguarding and child protection policies in private schools.

Client's Perspective

The IFC client told CAO that child protection and safeguarding have been key priorities for Bridge since its founding. Bridge has a zero tolerance stance on corporal punishment and abuse by staff which is reflected in its policies and procedures. The client notes that it has worked to ensure that it follows all regulations and to ensure clear tracking, engagement and record-keeping. Bridge staff receive a 10-day induction training that includes training on the client's zero tolerance approach to corporal punishment, abuse prevention and detection, as well as positive discipline techniques to provide teachers with tools for classroom management. The client noted that its approach represents a significant departure from cultural attitudes to corporal punishment in the communities where it operates. Bridge's approach to supervision emphasizes regular reinforcement of positive behaviors.

The client reported that it has periodically reviewed its policies, procedures, and systems related to child safeguarding and protection, including through a substantive review and update of their systems in 2016 and an external consultant review in 2020. The client noted that the 2020 review was undertaken as part of a broader program of work on gender and child empowerment and has shared a copy of the external consultant's report with CAO.

The client told CAO that child safeguarding and protection had not been included among the range of E&S issues reviewed or supervised by IFC. The client reported that IFC had not inquired about child safeguarding as part of its due diligence or supervision until after CAO's site visit in February 2020. The client stated that IFC's risk assessment reports on E&S issues were prepared by IFC staff without substantial engagement from Bridge personnel to identify relevant risks and impacts relevant to schools. The client stated that IFC's AMR reporting format is not tailored to child protection or safeguarding. However, the template does provide for reporting of major health and safety incidents and employee grievances. Accordingly, the client's reporting has recorded incidents that resulted in injuries requiring medical attention (e.g. as a result of corporal punishment by teachers), or where an employment dispute arose in relation to dismissal of a teacher for misconduct related to child protection. The client also noted that IFC's reviews of other E&S issues that interact with child safeguarding and child protection, (specifically employment, and water, sanitation and hygiene) had not approached the matters from the perspective of child safeguarding.

The client confirmed that since March 2020, it had engaged in discussions with the IFC project team and senior managers about child safeguarding and protection – both in relation to the client's own business and in relation to IFC's standards and procedures for project appraisal and supervision.

The client emphasized its willingness to engage with IFC on child safeguarding and protection issues but told CAO that it had asked that these matters be addressed systematically rather than through ad hoc requests for information. For example, the client had suggested that child safeguarding and protection issues be formally included in IFC's AMR format. The client also noted that the IFC Performance Standards do not specifically include child safeguarding and protection requirements and reported that they have offered to work with IFC to develop a dedicated standard.

III. Analysis

This compliance appraisal considers IFC's pre-investment review and subsequent supervision of its investment in the client and the identification and management of E&S risks related to child safeguarding and protection, including child sexual abuse, associated with the client's operations. The section below summarizes relevant aspects of IFC's policy framework and describes IFC's approach to appraisal and supervision of the project in relation to child safeguarding.

IFC Policy Framework

IFC's investment in the company was made in the context of its 2012 Policy on Environmental and Social Sustainability ("the Sustainability Policy") and Performance Standards (PS), together referred to as the Sustainability Framework. Through the Sustainability Policy, "IFC seeks to ensure, through its due diligence, monitoring, and supervision efforts, that the business activities it finances are implemented in accordance with the requirements of the Performance Standards" (para. 7). The Sustainability Policy notes that "central to IFC's development mission are its efforts to carry out investment and advisory activities with the intent to 'do no harm' to people and the environment" (para. 9). IFC will invest in a project only when the activities it finances "are expected to meet the requirements of the Performance Standards within a reasonable period of time" (para 22). During the lifetime of an investment IFC is expected to monitor project compliance with its E&S requirements (para. 26).

While IFC's Performance Standards do not speak directly to child safeguarding and protection issues, they establish a framework for clients to assess, avoid and mitigate all relevant social risks that are related to a project. The standards refer to good international industry practice (GIIP) in determining what risks might be relevant to a client's business activities. CAO notes a number of PS requirements of relevance to child safeguarding and protection, including those related to the assessment and management of social risks and impacts on the community and vulnerable groups in particular.

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

PS1 requires that clients identify and evaluate "all relevant environmental and social risks and potential impacts" related to the project and adopt a "mitigation hierarchy" to anticipate and avoid, or where avoidance is not possible, minimize risks and impacts to workers, affected communities and the environment. Where residual impacts remain, clients are required to compensate or offset for risks and impacts ("Objectives").

PS1 specifies that "Business should respect human rights, which means to avoid infringing on the human rights of others and address adverse human rights impacts business may cause or contribute to" ("Introduction"). It notes that each of the Performance Standards has elements related to human rights dimensions that a project may face in the course of its operations and that due diligence against these Performance Standards will enable the client to address many relevant human rights issues in its project.

PS1 includes specific requirements to establish an E&S policy and E&S management system (ESMS), and to address grievances related to the project.

Environmental and Social Policy

PS1 requires clients to establish an overarching policy defining the E&S objectives and principles that guide the project to achieve sound E&S performance. The policy specifies that the project will comply with applicable laws and regulations of the jurisdictions in which it is being undertaken, including those laws implementing host country obligations under international law. The policy will indicate who, within the client's organization, will ensure conformance with the policy and be responsible for its execution (para. 6).

Identifying E&S Risks and Impacts

PS1 requires that clients establish and maintain a process for identifying "all relevant" E&S risks and impacts of a project, as appropriate to the type, scale and location of the project (para. 7). The scope of the risk and identification process will be consistent with "good international industry practice," (GIIP) defined as "the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally."[12]

IFC's Guidance Note to PS1 states that:

> "The risks and impacts identification process is an important early step in managing and improving environmental and social performance, as it helps the client to screen and assess ***all relevant potential impacts and risks associated with the project to be financed (whether addressed***

[12] IFC Performance Standard 1, para. 7, n. 10.

> ***through the Performance Standards or not***), and identify any mitigation or corrective measures that should enable the project to meet the applicable requirements in Performance Standards 2 through 8, any applicable local laws and regulations, as well as any additional priorities and objectives for social or environmental performance identified by the client.
>
> … In some circumstances and as part of their approach to risk management described in Performance Standard 1, clients may need to identify certain, unique impacts and risks not covered by Performance Standards 2 through 8."[13] (Emphasis added)

PS1 further notes that the E&S assessment process will consider all relevant environmental and social risks and impacts of the project and those who are likely to be affected by such risks and impacts. Where a project involves specifically identified physical elements, aspects and facilities, the client will identify individuals that may be directly and differentially or disproportionally affected by the project because of their disadvantaged or vulnerable status (para. 12). This disadvantaged or vulnerable status may stem from an individual's or group's race, color, sex or other status.[14] The client should also consider factors such as gender, age, poverty or economic disadvantage (among other things.)[15]

E&S Management System

PS1 requires the client to develop E&S management programs that describe mitigation and performance improvement measures and actions that address identified E&S risks and impacts of the project (para. 13). Where risks and impacts cannot be avoided, the client will identify mitigation and performance measures and establish corresponding actions to ensure the project will operate in compliance with applicable laws and regulations and meet PS requirements (para. 15). E&S Action Plans will define desired outcomes and time-bound actions with estimates of resources and responsibilities for implementation. The management program will recognize and incorporate the role of actions and events controlled by third parties, and will be responsive to changes in circumstances, unforeseen events, and the results of monitoring and review (para. 16).

Organizational Capacity and Competency

PS1 requires the client to establish, maintain and strengthen an organizational structure to implement the ESMS (para. 17). Sufficient management sponsorship and human and financial resources will be provided on an ongoing basis to achieve effective and continuous E&S performance. Personnel within the client's organization with direct responsibility for the project's E&S performance will have the knowledge, skills and experience necessary to perform their work, including current knowledge of the host country's regulatory requirements and applicable requirements of the PSs (para. 18). The process of identifying risks and impacts will consist of an adequate, accurate, and objective evaluation and presentation, prepared by competent professionals (para. 19).

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[13] IFC, Guidance Note 1: Assessment and Management of Environmental and Social Risks and Impacts, 2012, GN16.
[14] PS1 (2012) para. 6, note 18.
[15] Ibid.

Stakeholder Engagement and Grievance Mechanisms

PS1 requires clients to conduct stakeholder engagement commensurate with a project's risks and adverse impacts (para. 25). The stakeholder engagement process may include stakeholder analysis, disclosure of information, and consultation with affected communities (paras. 26-30). Clients are required to implement an external communications procedure that includes methods to receive, screen and assess issues raised by the public, to provide, track and document responses and to adjust the ESMS where appropriate (para. 34). Clients are required to establish a grievance mechanism scaled to the risks and impacts of the project with a focus on affected communities as the primary users. It should seek to resolve concerns promptly, using an understandable and transparent consultative process that is culturally appropriate and readily accessible, and at no cost and without retribution to the party that originated the issue or concern (para. 35).

Performance Standard 4: Community Health, Safety, and Security

PS4 recognizes that clients have a responsibility to avoid or minimize risks or impacts to community health, safety and security that may arise from project-related activities, with particular attention to vulnerable groups (para. 1). The objective of PS4 includes to anticipate and avoid adverse impacts on the health and safety of the affected community during the project life from both routine and non-routine circumstances.[16]

The client is required to evaluate the risks and impacts to the health and safety of affected communities during the project life-cycle and establish preventative and control measures consistent with GIIP, such as set out in internationally recognized sources (para. 5).[17]

The client will identify risks and impacts and propose mitigation measures that are commensurate with their nature and magnitude (para. 5). These measures will favor the avoidance of risks and impacts over minimization.

IFC's Pre-Investment Review

A key question for CAO is whether IFC exercised due diligence in its pre-investment review of the E&S risks of the investment as they relate to child safeguarding and protection. As a general principle, IFC is committed to a pre-investment E&S review that is "commensurate with the level of environmental and social risks and/or impacts."[18] CAO considers: (a) IFC's review of the E&S potential risk attached to the project (Sustainability Policy, para. 27), (b) IFC's approach to the assessment of the client's capacity to manage and mitigate these risks (PS1 para. 17); and (c) the measures that IFC required the client to implement to ensure appropriate E&S risk management (Sustainability Policy, para. 28).

[16] PS4 (2012) "Objectives."

[17] PS4 (2012), para. 5, note 1. As noted above, GIIP is defined as "the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally."

[18] IFC Policy on Environmental and Social Sustainability, 2012, para. 6

During the pre-investment review, IFC staff conducted a desk-top review of the client's E&S risks and impacts. IFC reviewed various E&S documents, including a summary of the client's community relations systems and an example of an Environmental Impact Assessment (EIA) for a proposed Bridge school, and interviewed senior Bridge management.[19] IFC categorized the project as category B and identified key issues associated with the project as building standards, labor and working conditions for staff, provision of potable water and sewage disposal, and security measures implemented at the schools to ensure the safety of learners.[20] IFC identified that PS1 and PS4 (among others) were relevant to the project.[21] Apart from these issues, child safeguarding and protection were not identified as a social risks relevant to the project.

An IFC education specialist and a project investment officer conducted a site visit to Bridge headquarters Nairobi and visited schools. IFC disclosed its E&S review summary (ESRS) and the project was approved in December 2013.

IFC's pre-investment review documentation as reviewed by CAO in the course of this compliance appraisal covers child safety in relation to security and emergency issues (e.g. in relation to fire safety, food and water potability, hygiene and sanitation) but does not consider risks or impacts related to child sexual abuse or other child safeguarding and protection issues. While the client had and has policies in relation to child safeguarding and protection, IFC's review of the client's policies, management systems, and approach to grievance handling was silent on risks or impacts related to child sexual abuse. IFC's observations on general E&S policies, systems and capacity are summarized below.

The ESRS noted that the company had a number of existing E&S policies, procedures and plans to ensure compliance with national legislative requirements and IFC's Performance Standards.[22] IFC reported that a quality assurance team within the company ensured implementation of existing policies and procedures through ongoing auditing and monitoring.

IFC noted that the client was in the process of developing a group-wide ESMS and incorporated an action in the ESAP to complete implementation of the ESMS and ensure its application to all Bridge schools with a target date of June 2014.[23]

IFC's ESRS also noted that the client's community grievance mechanism consisted of a hotline number that is monitored 24/7 by a professional call center that logs, responds and escalates any matters raised. All issues are tracked by Bridge headquarters and tracked, monitored and fed back to individual schools where necessary.

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19 IFC Project Information Portal, "Bridge International Academies," Environmental and Social Review Summary (ESRS), *Overview of IFC's Scope of Review*, October 30, 2013, available at: http://bit.ly/IFCESDisclosure32171.
20 IFC ESRS, 2013, "Environmental and Social Categorization and Rationale."
21 IFC ESRS, 2013, "Identified Applicable Performance Standards."
22 IFC, ESRS, 2013, "Environmental and Social Mitigation Measures, PS1: Assessment and Management of Environmental and Social Risks and Impacts; Environmental and social assessment and management system, organisational capacity."
23 IFC Project Information Portal, "Bridge International Academies," Environmental and Social Review Summary (ESRS), *Environmental & Social Action Plan,* October 30, 2013, available at: http://bit.ly/IFCESDisclosure32171.

IFC's Supervision of the Project

In relation to the supervision phase of the project cycle, CAO considers whether IFC monitored the client's management of E&S risks in accordance with the requirements of the Sustainability Framework. Specifically in this case, CAO has considered IFC's supervision of client implementation of the ESMS as agreed under the ESAP, including the client's approach to child safeguarding and protection; and IFC's response to specific concerns regarding child safeguarding and protection that arose in the course of the investment.

Relevant Requirements

IFC is required to conduct periodic review of the client's E&S performance by carrying out site supervision visits, reviewing the client's annual monitoring reports (AMRs) and advising the client on how to manage E&S project issues.[24] According to IFC's Environmental and Social Review Procedures (ESRP), "[t]he purpose of supervision is to obtain information to assess the status of the project's compliance with the PS and other specific E&S requirements agreed at commitment; to assess the current level of E&S risk; to provide advice to clients on how to address critical E&S issues, and to identify opportunities for improvement and good practices that could be applied to similar projects."[25]

IFC's Sustainability Policy provides that IFC's agreements pertaining to the financing of clients' activities include specific provisions which clients agree to comply with, including complying with applicable requirements of the Performance Standards and specific provisions in action plans, as well as relevant provisions for environmental and social reporting, and supervision visits by IFC staff or representatives, as appropriate (para. 24). If the client fails to comply with the E&S commitments as expressed in the legal agreements, IFC will work with the client to bring it back into compliance, and if the client fails to reestablish compliance IFC will exercise remedies as appropriate.

IFC Project Supervision

Since approval in December 2013, IFC has conducted supervision of the project through AMR reviews and periodic site visits and has supported third party reviews of client operations in relation to certain E&S issues. Relevant to the issues considered by CAO in this appraisal, IFC's supervision considered the client's ESMS implementation in relation to its Kenya business and its expansion into new markets. IFC also considered the client's grievance handling procedures, although it is not clear to CAO whether IFC verified the effectiveness of the customer care hotline as a grievance handling procedure.

Relevant to issues of child safeguarding and protection, the client reported to IFC on its policies including its child protection policy. The client also reported to IFC on its training on child safeguarding and prevention of child abuse, including child sexual abuse. The client shared information with IFC about its hiring procedures, including background checks on staff, and various disciplinary procedures.

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[24] IFC ESRP 6 (2.1) Direct Investments: Supervision V.7, April 15, 2013
[25] IFC ESRP 6 (2.1) Direct Investments: Supervision, 1. Purpose and Applicability

Based on available project documentation from 2017, IFC was aware of child safeguarding issues associated with the client's business including child sexual abuse risks. The extent of IFC's response to these issues is unclear.

In February 2020, CAO briefed IFC on allegations raised with CAO in the course of the BIA-01 Investigation. The project record indicates that IFC has since engaged with its client on issues raised by these allegations. An assessment of IFC's recent initiatives to support its client in reviewing and addressing project risks and impacts related to child safeguarding and protection is beyond the scope of this compliance appraisal.

Conclusion

CAO's appraisal raises a number of questions regarding IFC's due diligence and supervision of the client in relation to child safeguarding and protection.

While IFC's Performance Standards do not speak directly to child safeguarding and protection, they include a number of requirements that are relevant to child safeguarding and protection in the context of Bridge's business. In particular CAO notes provisions that require E&S risk assessments and management systems to incorporate all relevant social risks related to the client's business activities, with particular focus on the situation of vulnerable groups. CAO notes in this context that sexual abuse has a long-lasting impact on children's health, development and wellbeing, as well as social and economic costs.[26]

CAO has questions regarding IFC's due diligence and supervision of the client's ESMS as it relates to child safeguarding and protection. In relation to these issues, CAO has questions as to whether IFC obtained information necessary to assess the status of the project's compliance with the Performance Standards and with national law, including those laws implementing international commitments. CAO also has questions as to whether IFC assured itself of the client's capacity and commitment to implement PS1 and PS4 requirements relevant to child safeguarding and protection in light of the project context and scale, the nature of the client's service delivery model, and GIIP in the field.

CAO also has questions regarding IFC's supervision of client performance in relation to child safeguarding and protection, including child sexual abuse, particularly in relation to client reporting, community access to grievance redress, and response to incidents.

CAO notes that IFC has made efforts to engage with its client on risks and impacts of the project in relation to child safeguarding and protection following CAO's site visit briefing. CAO also notes that these efforts are at an early stage.

IV. CAO Decision

The purpose of a CAO compliance appraisal is to ensure that compliance investigations are initiated only in relation to projects that raise substantial concerns regarding E&S outcomes and/or issues of systemic importance to IFC. In deciding whether to initiate an investigation, CAO weighs

[26] United Nations Children's Fund, *Hidden in Plain Sight: A statistical analysis of violence against children,* UNICEF, New York, 2014, available at: https://uni.cf/3lWybrg.

factors including the magnitude of the E&S concerns at issue, results of a preliminary review of IFC's E&S performance in relation to these issues, the existence of questions as to the adequacy of IFC's requirements, and a more general assessment of whether a compliance investigation is the appropriate response in the circumstances.

CAO's compliance appraisal considers whether, on a preliminary review of available information, the issues set out in the Vice President's request raise substantial concerns regarding E&S outcomes of IFC's investment. CAO concludes that there are substantial concerns regarding the E&S outcomes of IFC's investment in Bridge considering: (a) specific allegations of child sexual abuse raised in the course of the BIA-01 investigation; (b) the E&S risk profile of the schools in light of their number and the vulnerable status of learners.

CAO's initial review of the project documentation raises questions as to the adequacy of IFC's due diligence and supervision, in particular whether IFC's pre-investment review and supervision of the project properly considered the requirements of Performance Standards 1 and 4 as relevant to child safeguarding and protection.

Overall, CAO has determined that an investigation is an appropriate response to the issues raised in the Vice President's request. In making this decision, CAO has taken into account the seriousness of the risks and impacts raised, the scale of the client's business globally, the ages of the children who attend Bridge schools, and the vulnerable status of children and families who are the target market for Bridge schools.

CAO will consider the adequacy of IFC's due diligence and supervision against the requirements of its Sustainability Framework. In the course of its investigation, CAO may also consider whether IFC's policy framework provides an appropriate level of protection in relation to child safeguarding and protection, including in relation to child sexual abuse.

Further details of the investigation scope will be set out in the investigation Terms of Reference, to be prepared in accordance with CAO's Operational Guidelines. CAO expects to complete its investigation by December 2021.