

July 6, 2004

Mr. Peter Woicke  
Executive Vice President  
International Finance Corporation  
2121 Pennsylvania Avenue NW  
Washington, DC 20433

Dear Mr. Woicke,

On behalf of the 140 civil society groups from around the world (80 from borrowing countries, 60 from donor countries), we welcome the upcoming review process and opportunity to strengthen the IFC's safeguard and disclosure policies as well as the Pollution Prevention and Abatement Standards. We hope that the process will be participatory, and that the concerns and priorities of civil society around the world will be fully considered. We also expect that the review process will address and respond to many of the recommendations by the Extractive Industry Review and the Management's Response.

You have said this process will not lead to the weakening or erosion of any of these policies and standards. We appreciate your commitment. It is important that these policies are not only strengthened, but that the IFC uses this process to position itself at the forefront of defining what is expected and required from its project sponsors in terms of socially and environmentally responsible corporate practice.

As you know, the global business climate has changed significantly in the last ten years. Companies are increasingly obliged to address social and environmental protection issues, ensure community benefits, and respect labor and human rights. In this changing business environment, companies seek clarity and consistency in the rules they are expected to meet. The appropriate role for IFC in this changed business environment is to help in clarifying the rules for those companies operating in borrowing countries.

As a leading development institution, however, the IFC has additional responsibilities to deliver upon its development and poverty alleviation mandate. Therefore, we urge you to use this process to clearly identify IFC's responsibilities in the development process as well as identifying the responsibility of the company borrowers. In this way, IFC can lead by example, establishing enhanced standards for itself and its clients and encouraging private companies to do the same.

Although we are heartened by IFC's stated commitment to taking a principles-based approach to sustainability issues, we are concerned that this may signal a move

away from clearly defined rights, rules, and responsibilities. Both a principles-based approach and clear, binding and enforceable rules are necessary to ensure that IFC-supported projects are conducted in a participatory, transparent and socially and environmentally sustainable manner.

There are many issues of importance to civil society in both borrowing and donor countries that we would like to highlight here. We hope that these issues are addressed fully in the upcoming review process.

1. The review process should result in a new rights-based approach to development—an approach that recognizes and protects human rights, including labor rights, the rights of indigenous peoples and women’s rights as well as community-based rights to be fully informed and offer consent to development projects and to benefit directly from, and be an equal partner in, the monitoring and oversight of projects. These rights should set the framework for all of the IFC’s safeguard policies and requirements of its clients.
2. The review process should address global environmental and sustainability issues, including IFC’s role in protecting biodiversity-rich areas and ecologically and culturally important and threatened areas. It should also address IFC’s role to avert the threats of global climate change by helping to reduce global carbon emissions. Further, the process should address and protect indigenous peoples’ collective rights to their lands, territories and resources.
3. The review process should develop and apply a set of criteria or indicators of good corporate behavior for all potential project sponsors. As noted by the CAO’s own review of the safeguard policies, proven prior commitment to social and environmental standards is the most crucial factor in implementation of safeguard policies and achieving positive development outcomes. The IFC should partner with companies that are committed to social and environmental protections; applying a set of criteria in advance will help identify the most appropriate partners.
4. The review process should result in a requirement that all projects clearly and publicly articulate the development objectives in advance of final approvals, and evaluate during implementation and after completion the performance of each project in achieving the articulated development objectives.
5. The review process should result in an integrated assessment process required for all projects with significant impact on any of these issues. An integrated assessment would address environment and social issues, including labor, gender, and human rights issues, health impacts and poverty reduction issues.
6. The review process should address the application of these standards and policies to Financial Intermediaries (FIs), some of the fastest growing lending of

IFC. Not only should all IFC standards and policies be equally applied to all FI loans, this process should also address how IFC oversees and ensures compliance.

7. The review process should result in a clear process through which the presumption in favor of disclosure can be effectively implemented. We not only expect IFC to identify how it will release information upon public request but also to clearly specify the documents and types of information that the IFC will routinely disclose or require to be disclosed. Again, whereas sound principles are vital to securing the best transparency standards for IFC and its clients, specific rules are also needed. Full transparency and disclosure is paramount.

8. The review process should clearly implement the recommendations set forth in the Extractive Industry Review.

We look forward to IFC's upcoming proposals for addressing these issues and to participating in this process.

Sincerely,

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